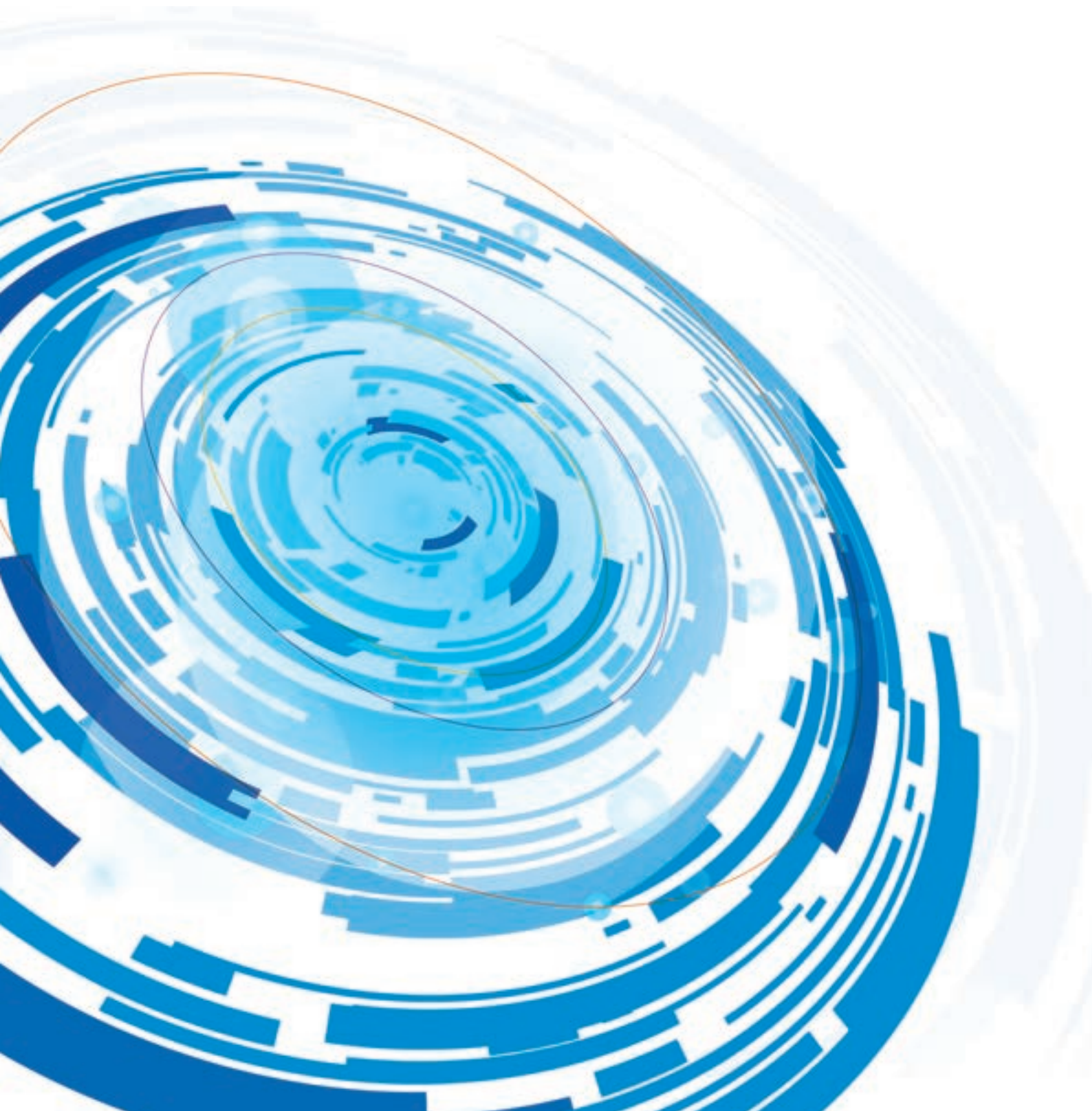


ULVAC

ULVAC REPORT 2014

CSR & Annual Report



About the ULVAC Group

The ULVAC Group practices CSR by fulfilling its responsibilities to all stakeholders and contributing to society through the research and development of cutting-edge technologies.

▶ Basic Corporate Philosophy

The ULVAC Group aims to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies through the mutual cooperation and collaboration of the Group companies.

▶ Management Policies

- Improvement of Customer Satisfaction
- Innovative Production Technology
- Innovative Product Development
- A Free and Open Culture
- Enhancement of Corporate Value



Editorial Policy

We have integrated the previous Annual Report and the CSR Report into this ULVAC REPORT two years ago. This report is published to promote understanding of the ULVAC Group's operating results and CSR activities among our stakeholders, and we consider it an important communications tool.

■ Published:

September 2014

(Previous Japanese edition published in September 2013; the next edition is to be published in September 2015)

■ Guidelines Referenced:

ISO26000; 2010 (Guidance on social responsibility) first Edition

Report's Scope and Period

[Scope]

▶ ULVAC Group

While the report covers the ULVAC Group as a whole, any portions for which the scope differs are indicated.

[Period]

▶ Year ended June 30, 2014 (July 1, 2013 to June 30, 2014)

Portions with information relating to periods other than the above are indicated.

(Disclaimer)

Figures shown in tables and graphs in this report may not add up to the indicated total because of rounding. Some figures have been revised from previous years' data because the scope of reporting was expanded or calculating methods have been changed.



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Introduction of Our Communications Tools

ULVAC REPORT 2014
[Digest]



Brochure

Important ULVAC initiatives of which we want to inform all stakeholders are summarized and reported in a brochure.

ULVAC REPORT 2014
[Full report] Japanese and English



PDF

The steps taken during fiscal 2013 (from July 1, 2013 to June 30, 2014) are comprehensively summarized as PDF data to promote a deeper understanding of ULVAC's initiatives among our stakeholders.

ULVAC REPORT 2014
[110th Term Business Report]

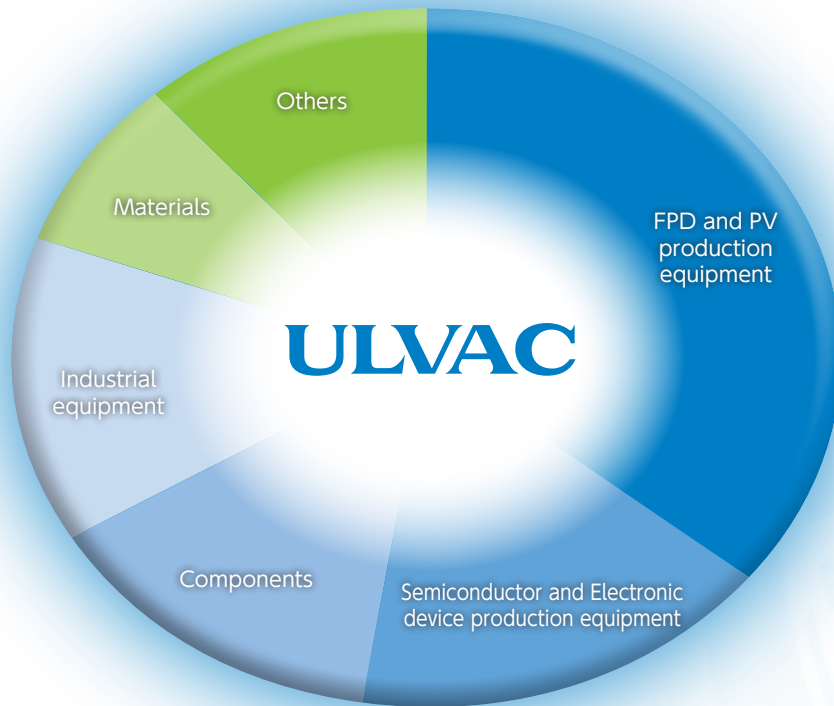


Brochure
PDF

The business overview for fiscal 2013 is reported in an easy-to-understand manner for distribution mainly to our shareholders.

Corporate Profile of the ULVAC Group

- Name: ULVAC, Inc.
- Trademark: ULVAC
- Head Office: 2500 Hagisono, Chigasaki, Kanagawa
- Established: August 23, 1952
- Capital: ¥20,873,042,500
- Number of Employees: Non-consolidated 1,105
Consolidated 5,971 (As of June 30, 2014)
- Business Areas: Development, manufacturing, sale and customer support for vacuum equipment, peripheral devices, vacuum components and materials for the display, solar cell, semiconductor, electronic, electric, metal, machinery, automobile, chemical, food product and medical product industries, as well as universities and research labs, and import and export of various equipment. Additionally, research guidance and technical advising on vacuum technologies in general.



Business Segments of the ULVAC Group

▶ Vacuum equipment business



▶ FPD and PV production equipment

- Liquid crystal display (LCD) production equipment
- Organic LED production equipment
- Inkjet printing production equipment
- Roll coater (evaporation and sputtering)
- Crystalline silicon solar cell production equipment
- Compound solar cell production equipment



▶ Semiconductor and Electronic device production equipment

- Semiconductor (memory, logic, power or other semiconductors) production equipment
- LED production equipment
- Electronic device production equipment



▶ Components

- Vacuum pumps
- Vacuum gauges
- Helium leak detectors
- Process gas monitor
- Spectroscopic ellipsometer
- EB, RF and DC power generator
- Vacuum valve
- Deposition controller
- Vacuum robot



▶ Industrial equipment

- Vacuum heat-treating furnaces
- Vacuum melting furnaces
- Vacuum brazing furnaces
- Rare-earth magnet production equipment
- Vacuum freeze-drying equipment
- High-vacuum distillation equipment
- Automatic Leak Tester

▶ Vacuum application business



▶ Materials

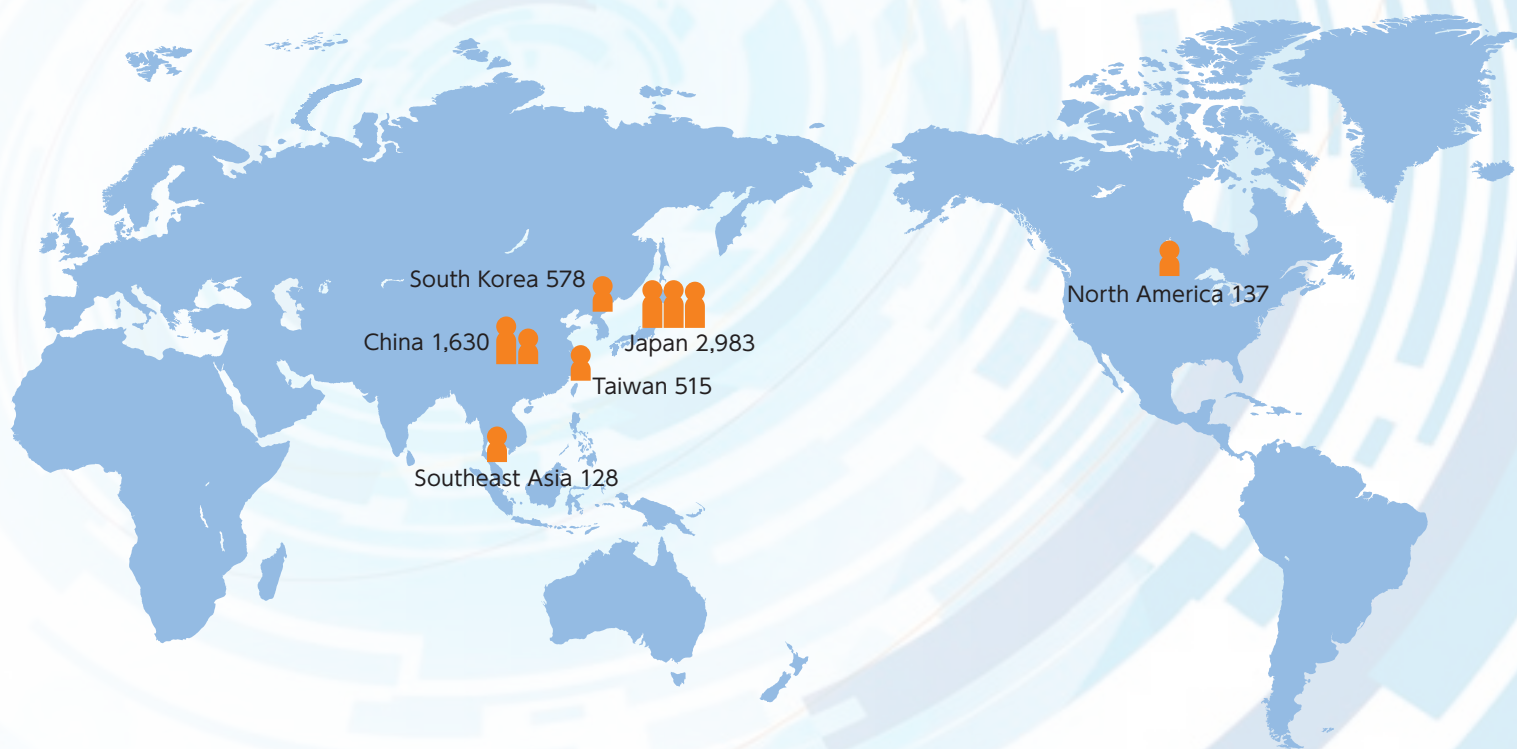
- Sputtering target materials
- High-melting-point materials and production of components
- Nano metal inks



▶ Others

- Surface analyzers
- Controllers
- Mask blanks, etc.

Number of Employees by Region (Consolidated) (As of June 30, 2014)



ULVAC Group

ULVAC, Inc.

ULVAC Group Companies in Japan

- ULVAC TECHNO, Ltd.
- ULVAC KYUSHU CORPORATION
- ULVAC TOHOKU, Inc.
- ULVAC KIKO, Inc.
- ULVAC EQUIPMENT SALES, Inc.
- ULVAC CRYOGENICS INCORPORATED
- ULVAC-PHI, Inc.
- TIGORD CORPORATION
- ULVAC COATING CORPORATION
- NISSIN SEIGYO Co., LTD.
- Initium, inc.
- ULVAC Human Relations, Ltd.
- SHINKU CERAMICS CO., LTD.
- FINE SURFACE TECHNOLOGY CO., LTD.
- Reliance Electric Ltd.
- SHOWA SHINKU CO., LTD.

Overseas ULVAC Group Companies

- North America
 - ULVAC Technologies, Inc.
 - Physical Electronics USA, Inc.
- Europe
 - ULVAC GmbH
- China
 - ULVAC (China) Holding Co., Ltd.
 - ULVAC (NINGBO) CO., Ltd.
 - ULVAC (SUZHOU) CO. LTD.
 - ULVAC Orient (Chengdu) Co., Ltd.
 - ULVAC Automation Technology (Shanghai) Corporation
 - ULVAC Tianma Electric (Jingjiang) Co., Ltd.
 - ULVAC Vacuum Furnace (Shenyang) Co., Ltd.
 - ULVAC (Shanghai) Trading Co., Ltd.
 - ULVAC Materials (Suzhou) CO., LTD
 - ULVAC Opto-electronics Thinfilm Technology (Shenzhen) Co., Ltd.
 - ULVAC CRYOGENICS (NINGBO) INCORPORATED
 - ULVAC NONFERROUS METALS (NINGBO) INCORPORATED
 - ULVAC Research Center Suzhou Co., Ltd.
 - Luoyang Xinyou Magnesium Co., LTD
 - Hong Kong ULVAC Co., Ltd.
 - ULVAC Vacuum Furnace (Shanghai) Corporation

- Taiwan
 - ULVAC TAIWAN INC.
 - ULTRA CLEAN PRECISION TECHNOLOGIES CORP.
 - ULCOAT TAIWAN, Inc.
 - ULVAC AUTOMATION TAIWAN Inc.
 - ULVAC SOFTWARE CREATIVE TECHNOLOGY, CO., LTD.
 - ULVAC Materials Taiwan, Inc.
- South Korea
 - ULVAC KOREA, Ltd.
 - Ulvac Korea Precision, Ltd.
 - Pure Surface Technology, Ltd.
 - ULVAC CRYOGENICS KOREA INCORPORATED
 - ULVAC Materials Korea, Ltd.
 - UF TECH, Ltd.
- Southeast Asia
 - ULVAC SINGAPORE PTE LTD
 - ULVAC MALAYSIA SDN.BHD.
 - ULVAC (THAILAND) LTD.

Interview with Top Management

Heading toward a new stage by shifting our focus from structural business reform to advancement into a growth phase

Promoting strategic research-and-development investments for future growth

Q1 What is your general overview of the operating circumstances and business results for the fiscal year ended June 30, 2014?



Hisaharu Obinata

President and Chief Executive Officer

Year-over-year increases were achieved for net sales and income

The ULVAC Group's consolidated net sales for the fiscal year ended June 30, 2014, were ¥173.9 billion, which was an increase of more than ¥10.0 billion from a year earlier.

Looking at the segmental breakdown of net sales, all business segments, that is, FPD and PV production equipment, semiconductor and electronic device production equipment, components, industrial equipment and materials, achieved year-on-year increases. Specifically, sales of semiconductor and electronic device production equipment showed significant growth.

In terms of profitability, operating and ordinary profits increased considerably from the previous fiscal year to ¥12.0 billion and ¥13.4 billion, respectively. This was chiefly due to increase in net sales and highly profitable projects in the semiconductor and electronic device production equipment business and the vacuum application business including analysis devices and depositions. The Group's recorded the highest net income of ¥11.5 billion partly due to extraordinary gains of ¥2.5 billion mainly from sales of subsidiaries' stocks and real estate.

Reinforcement of the Corporate Sales & Marketing Division produced positive effects especially in China and Southeast Asia

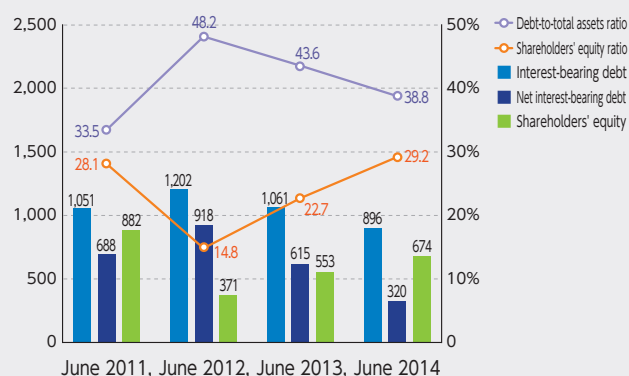
Subsequent to the establishment and kick-off of a new sales organization structure in the previous fiscal year, we reinforced the Corporate Sales & Marketing Division's capabilities to accelerate global sales operations during the fiscal year under review.

This reinforcement enabled the Corporate Sales & Marketing Division to bolster collaboration between

1. Business Results and Forecast (unit: ¥billion)

	June 2013	June 2014		June 2015 Forecast Full Year
		Actual	Change	
Orders received	1,668	1,698	30 (+2%)	1,700
Balance of orders received	725	672		622
Net sales	1,634	1,739	105 (+6%)	1,750
Gross profit	370	426		
Gross profit to net sales (%)	22.6%	24.5%		
SG&A expenses	308	307		
Operating profit	61	120	59 (+96%)	90
Operating profit to net sales (%)	3.7%	6.9%		5.1%
Ordinary profit	63	134	71 (+114%)	85
Ordinary profit to net sales (%)	3.8%	7.7%		4.9%
Extraordinary gains	3	25		
Extraordinary losses	71	7		
Tax expenses, etc.	32	36		
Net income	-38	115	153	65

2. Shareholders' Equity and Interest-Bearing Debt (unit: ¥billion)



ULVAC and its overseas subsidiaries in conducting sales operations and to provide centralized control over them to allow more effective approaches toward the acquirement of orders in the global market. During the fiscal year under review, this led to successful results in sales operations in China and Southeast Asia, especially the acquisition of a large project for FPD production equipment in China. In response to the international expansion of clients' manufacturing operations, the Group will seek collaboration and optimization of business operations within the Group to generate greater synergies.

Slimmed-down assets enhanced financial soundness

The financial soundness of the Group also improved significantly as we further streamlined our assets by reducing inventories, compressing trade accounts receivable and sell-off of fixed assets. As a result, the level of net interest-bearing debt (interest-bearing debt minus cash on hand and in banks) decreased to ¥32.0 billion from ¥91.8 billion two years earlier, whereas shareholders' equity ratio improved from 14.8% to 29.2%.

Q2 Please address the business outlook for the fiscal year ending June 30, 2015.

Profit decrease expected mainly due to an increase of strategic R&D investments

Regarding the forecast of net sales for the fiscal year ending June 30, 2015, sales of FPD production equipment are expected to suffer a year-on-year decline, as the investment in production equipment for organic light-emitting diode (OLED) displays for television will likely be postponed or shrink. However, the growth in demand for semiconductor and electronic device production equipment will likely continue. Overall net sales are therefore expected to increase slightly from the fiscal year ended June 30, 2014, to ¥175.0 billion.

In terms of profitability, we forecast year-on-year decreases in profit figures: Operating profit is expected to be ¥9.0 billion, ordinary profit ¥8.5 billion and net income ¥6.5 billion. This is chiefly because we expect an increase in strategic R&D investments for further growth, intensifying price competition and no extraordinary gains.

Shifting toward a growth phase through the reinforcement of development, sales and marketing capabilities

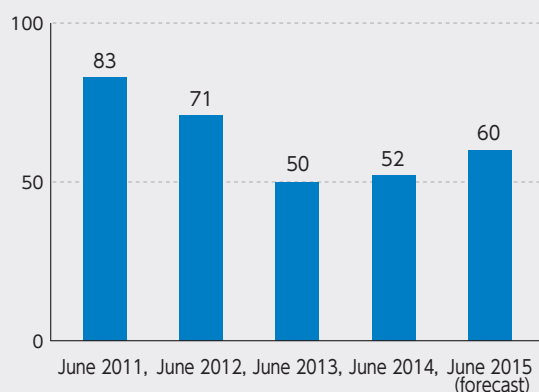
Starting with the fiscal year ending June 30, 2015, the ULVAC Group will focus on the "shift from structural business reforms to advancement into a growth phase." Under this theme, we will "reinforce

development capabilities" as well as "reinforce sales and marketing capabilities." At the same time, we will "strive to improve cost competitiveness", thereby minimizing any rise in the break-even point.

To "reinforce development capabilities," we selected eight important business areas in which we plan to develop new businesses for future growth over the next three to five years. The eight areas are namely "nonvolatile memories," which is our area of strength; "semiconductors" available for superfine wiring; high-density "packaging technology"; "LED" and "power semiconductors" for energy conservation; "automobile-related technologies," related to the enhancement of environmental performance and automated driving; "flexible displays," which require next-generation element technologies; and "Photo Voltaic (PV) production equipment," an area related to renewable energies for which medium- to long-term demand is expected.

To "reinforce sales and marketing capabilities," we will further strengthen the capabilities of the Corporate Sales & Marketing Division to ensure successful collaboration between the sales forces of the ULVAC Group in the countries where it operates under the sales strategies of the Group's business units at home and abroad.

3. R&D costs (unit: ¥billion)



4. Numerical Targets of the Medium-Term Management Plan (unit: ¥billion)

	June 2013 Results	June 2014 Results	June 2015 Forecast	June 2016 Forecast	June 2017 Forecast
Orders received	1,668	1,698	1,700	1,900	2,000
Net sales	1,634	1,739	1,750	1,900	2,000
Operating profit	61	120	90	130	160
Operating profit to net sales (%)	3.7%	6.9%	5.1%	6.8%	8.0%
Ordinary profit	63	134	85	120	150
Net income	-38	115	65	90	110

Interview with Top Management

Q3 Please explain the background and details of the review of the medium-term management plan.

The current medium-term management plan was formulated in June 2013 to "establish the system for reliable and stable earning," in line with the basic policies of "reconstruct business model to create values (reestablishment of a mechanism to increase added value with vacuum technologies as the core)," "reviewing unprofitable businesses" and "lowering of the break-even sales."

From the perspective of business segments, the plan's growth scenario sees the Group's growth being propelled by the semiconductor and electronic device production equipment segment, while being continuously supported by the FPD and PV production equipment, industrial equipment and components segments.

In the plan's first year, the fiscal year ended June 30, 2014, we were unable to attain the forecast

order receipts and net sales, whereas operating profit, ordinary profit and net income exceeded the initial forecast.

In the fiscal year ending June 30, 2015, and thereafter, we will continue to follow the plan's basic policies and business segment scenario. However, we have decided to revise the numerical targets to reflect 1) the planned increase in strategic R&D investments, 2) the move to postpone or shrink investments in production equipment for OLED displays for televisions and 3) a grim forecast of the price competition in the years ahead, as well as to extend the plan for another year.

Q4 Could you tell us about the structure being established to strengthen the Group's globalization initiatives?

Optimization of overseas production activities and enhancement of quality assurance

The preparedness in terms of sales and marketing was explained earlier through the mention of the Corporate Sales & Marketing Division, which manages sales and marketing activities on a global basis. On the production side, the Global Production Planning Department was set up in July 2013 to optimize the capacity and location of production facilities based on a global view of the Group's production activities, while ensuring better allocation of functions and collaboration between production facilities.

The ULVAC Group is also striving to enhance its product quality and safety by reinforcing its quality assurance system for the ULVAC brand on a global basis and promoting the introduction of quality assurance and environmental management systems to acquire the ISO9000/14001 integrated global certification.

Enhancement of the workforce for manufacturing on a Group-wide basis

One of the key factors to promote globalization initiatives is the development of human resources. To raise the level of engineering and management capabilities at production sites and achieve a higher level of manufacturing at all of the Group's global production facilities, we started the ULVAC Global *Monodzukuri* (Manufacturing) Workshop in 2014. This workshop was attended by employees engaging in production from 10 Group companies in China and Southeast Asia to promote deeper understanding of the *Monodzukuri* spirit.

Through these efforts and engineering education, we will enhance the workforce for manufacturing across the ULVAC Group, while introducing personnel evaluation systems and other measures to vitalize the entire ULVAC organization.

We will ensure sustainable development of our businesses based on a stable business structure

Q5 What is your opinion of ULVAC's CSR and environmental activities?

Contributing to environmental preservation and energy conservation through manufacturing activities

Many products created and supplied by ULVAC address solutions to environmental- and energy-related issues in society. As a manufacturer of production equipment, ULVAC provides significant support for the advancement of the industrial world

by enabling the production of low-cost and high-performance devices while continuing R&D efforts to pursue new device possibilities.

Recently, ULVAC was granted the Keidanren (Japan Business Federation) Chairman's Award jointly with the National Institute of Advanced Industrial Science and Technology (AIST) and Fuji

Electric Co., Ltd., for the establishment of Tsukuba Power Electronics Constellations (TPEC), which aims to establish mass-production technologies for next-generation power semiconductors using silicon carbide (SiC). A SiC power semiconductor is a key device in the energy-saving revolution and has attracted growing expectations as a device for the inverters used in hybrid and electric vehicles.

In addition to the above, we have developed the technology to enable the integrated mass production of thin-film lithium rechargeable batteries for the first time in the world. Moreover, we will increase our efforts for the manufacturing of the production equipment for superluminescent LEDs and organic electroluminescence (EL) lighting and ion implanter, which improves the conversion efficiency of solar cells. Through these efforts, we will make continued contributions to environmental conservation and energy saving.

Enhancement of education to promote the development of human resources for social contribution

What underpin ULVAC's social contribution is its outstanding technological capabilities, which have been accumulated to date as a manufacturer of production equipment. Meanwhile, employee education is increasingly important to enable the exchange of human resources for increased diversity and to expand business opportunities globally.

From such perspective, we are providing "engineering education" for general employees to hand down ULVAC technologies. During the year under review, we also focused on "management education" for employees in administrative



positions. We intend to further expand educational opportunities, including foreign language education for the development of global talent, to continually produce human resources who can make valuable social contributions.

Q6 Lastly, please give your message to shareholders and other stakeholders.

We will move forward to fulfill the expectations of stakeholders.

The Group-wide efforts at structural business reforms for the past two years have steadily enhanced the earning power of ULVAC.

Unfortunately, however, we have decided not to distribute dividends for the fiscal year under review, as we have to continue structural business reforms and reinforce our financial foundation to accommodate possible changes in the business environment amid uncertain market condition. We apologize deeply to our shareholders.

The distribution of dividends for common stock for the fiscal year ending June 30, 2015 has not yet been determined and will be announced on

a later date, for which we would like to ask the understanding of our shareholders.

While endeavoring for firm and stable income, we will promote proactive R&D investments to advance into a growth phase. Taking any change in our business environment as an opportunity to make a leap forward, we will exploit such opportunity to create new value by mobilizing our human resources and organizational strength, as well as our manufacturing expertise, thereby supporting the growth and advancement of the industries and science.

We will continue to move forward to fulfill the expectations of stakeholders and would appreciate your continued support and cooperation.

Toward Consistent Growth

The ULVAC Group recognizes that it has ESG (environment, society and governance) themes related to full-time activities and promotes these respective activities in response to the themes addressed in the fields of technology, organization and environment.

ESG themes addressed by the ULVAC Group

- Countermeasures against global warming



- Measures to address globalization



- Connection with local communities



Businesses of the ULVAC Group

Vacuum equipment business

FPD and PV production equipment

Industrial equipment

Semiconductor and electronic device production equipment

Components

Vacuum application business

Materials

Others



Activity themes addressed by the ULVAC Group

Technology



Technology Topics: TSV mounting

- Improve the ULVAC brand
- Structural reforms and a consistent procurement activity
- Group global business development
- Group global intellectual properties

Environment



- Development of environment-friendly products
- Environmental communication activities







Organization



- Personnel system reforms, education and mental health
- Employee CSR awareness survey
- Occupational safety and health
- Corporate governance / Compliance / Risk Management
- Corporate citizenship initiatives

CSR Activities for Fiscal 2013 and Targets for Fiscal 2014

Based on its corporate philosophy of contributing to the growth of industry and science with innovative, cutting-edge technologies, the ULVAC Group provides distinctive technological innovations globally and implements initiatives for solving various social problems by using ULVAC's technologies and human resources.

Stakeholders	Communication guidelines	Fiscal 2013 targets
 Customers	With a high priority on a trusting relationship with customers, we engage in various efforts to enhance the quality and safety of our products.	<ul style="list-style-type: none"> Review the Claim Management System (ULKES-QMS). Promote the introduction of the global integration certification of ISO9000/14001. Review systems for quality inspection.
 Suppliers	We strive to maintain and promote fair and appropriate transactions with our suppliers to help establish a secure relationship of mutual trust.	<p>Reduce costs of the ULVAC Group on a consolidated basis through cost reduction in front-end processes by involving in design reviews at the design stage in operating divisions.</p> <p>Promote the simplification of acceptance inspection procedure via the supplier certification system, thereby ensuring good quality.</p>
 Shareholders and investors	We will endeavor to ensure the timely disclosure of business activities and financial information to promote communication with shareholders and investors.	<p>Actively promote corporate communication.</p> <p>Increase the number of analyst/investor relations activities.</p>
 Employees	We will endeavor to provide employees with diverse working opportunities and an environment in which they can work in comfort and with a sense of security.	<ul style="list-style-type: none"> Continue the CSR awareness surveys and have opportunities for feedback from employees to promote the CSR activities.
		<ul style="list-style-type: none"> According to the revised system for evaluation, provide trainings for evaluators to ensure the practical application of the system. To help enhance the work-life balance of employees, provide education on labor management. According to the Health Management Regulations, ensure follow-up measures to health checkups to reduce health risks. Perform mental health checkups and provide personal interviews with those who require treatment to prevent the occurrence of mental illness. Provide mental health seminars on a continuous basis to help create a worksite where employees can work with comfort and enthusiasm.
		<p>—</p> <p>Continue the zero frequency ratio of occupational accidents. Decrease product accidents by half.</p>
 Environment	We will consider environmental conservation in all aspects of our business activities and will contribute to develop a better place to live and an enriched society.	Develop and sell products that contribute to reducing the environmental burden.
		Decrease the environmental burden of our offices.
		Promote active involvement in and raise awareness of environmental activities, thereby making a social contribution.
 Local community	We will perform social contribution activities based on the practices and cultures of the countries and regions in which we operate.	Aim to achieve 100 participants per event of the Tanbo Project, which will be in its fifth year, to promote communication with the local community.
		Formulate a policy on social contribution activities.

◎: Higher achievements than targeted ○: Targets achieved or proceeded as planned △: Effort required ×: Further effort required

Fiscal 2013 achievements	Self-assessment of the fiscal 2013 achievements	Fiscal 2014 targets
<ul style="list-style-type: none"> • New claim management system was introduced in October. • Prepared for the global integration certification which will be implemented in fiscal 2014. • Revised the quality inspection to be in accordance with front loading. 	○	<ul style="list-style-type: none"> • Thoroughly implement the global integration certification (Phase 1) of ISO9000/14001. • Cement the quality inspection that is in accordance with front loading.
Participated in design reviews by operating divisions. Made proposals on cost reduction from the 3S perspective and achieved satisfactory outcome. Goods purchased: 8.7%, Goods produced: 7.9% Both at ULVAC, ULVAC TOHOKU, Inc. and ULVAC KYUSHU CORPORATION	○	Participate in design reviews at the design stage in operating divisions to reduce consolidated cost of ULVAC Group through cost reduction in preceding process. (Goods purchased: keep at 8.0%, Goods produced: make cost reduction proposals to each operating division.)
Ensured good quality via supplier certification system	○	—
Other than individual communication, held site tours and technical seminars, which were attended by many participants.	○	Continuously disclose information related to the progress of medium-term management plan while promoting corporate communication.
Continued the CSR awareness surveys with the target response rate of 60%, which were answered by 61.2%, thereby achieved the target.	◎	Revise the questionnaire items in CSR awareness surveys.
<ol style="list-style-type: none"> ① Trainings for evaluation were implemented in July 2014 to show specific guidelines for target formulation. ② Changed the plan and instead of holding trainings, assigned a person in charge of labor management for appropriate management. ③ Among the employee who were diagnosed with high health risk, interviews and individual guidance have been carried out in 92.2%. We achieved 92.2% compared to a target of 90%. ④ As a result of mental health checkups, among the employee who were diagnosed as necessary individual guidance, interviews etc. have been carried out in 97.5% compared to a target of 95%. ⑤ The participation rate for mental health seminars exceeded the target of 33.3%. 	<ol style="list-style-type: none"> ①○ ②△ ③◎ ④◎ ⑤○ 	<ul style="list-style-type: none"> • Conduct company-wide hearing in preparation of the personnel rotation and reorganization.* • Prepare training system for engineers to ensure their acquisition of skills. • Continue interviews and other means to respond to the employees who were determined to require medical guidance in order to further reduce the health risks.* • With a view to rulemaking of stress checkups, prepare check system enabling early response to the mental health problem and improvement of the workplace.* • Through mental health seminars, enhance communication at workplace and raise the motivation.*
—	—	<ul style="list-style-type: none"> • Prepare common education program across the ULVAC Group. • Share a sense of advantage in working at ULVAC among the Group employees through coordinated Group-wide philosophy in manufacturing which binds the individual employees together.
<ol style="list-style-type: none"> ① Achieved a zero frequency ratio of occupational accidents two consecutive years. Certified as the class 2 accident-free record by the Ministry of Health, Labour and Welfare in June 2014.* ② The rate of product accidents reduced by 48% from the previous fiscal year. (Group-wide) 	<ol style="list-style-type: none"> ①◎ ②○ 	<ol style="list-style-type: none"> ① Halve the number of occupational accidents in ULVAC Group compared to the previous fiscal year. ② Keep the number of product accidents in ULVAC Group at low level continuously from the previous fiscal year.
At ULVAC CRYOGENICS INCORPORATED, multiple operations of type-22 and type-16 cryopumps were enabled. Type-22 and type-16 can reduce the energy consumption by 45% and 52%, respectively. At ULVAC, HELIOT900 series were released. By improving the accuracy of leak test, amount of chlorofluorocarbons to be disposed along with the disposition attributable to the malfunction of equipment due to micro leakage can be reduced.	○	Continue to promote the development of products that contribute to reducing the environmental burden. Example: <ul style="list-style-type: none"> • Products with low energy consumption • Products with less resource loading • Products compatible with Restrictions of Chemical Substances in Products
Launched energy-saving projects at ULVAC and started activities with an aim to reduce the energy consumption by 16% compared with the fiscal 2012.	◎	As entire ULVAC Group, reduce the energy use by 10% compared with the fiscal 2012 in the next five years.
Number of participants by ULVAC Group (Chigasaki area) in the Tanbo(rice field)Project, a rice planting event, for the fiscal 2013 amounted to 165.	◎	As part of Tanbo Project, newly create Tanbo pictorial book representing the creatures in rice fields at Chigasaki.
Formulated ULVAC Group Policy on Social Contribution Activities and priority issues in January 2014.	◎	Introduce our initiatives to each Group company and promote the activity.

*These achievements or targets relate to ULVAC, Inc.

Here & There, Near your side ULVAC's Vacuum Technology!

Through-Silicon Via (TSV) and packaging promote the refinement of information technologies.



(Center) Noriaki Tani, Deputy Manager of the Institute of Semiconductor & Electronics Technologies, General Manager of Research Division No. 3 and No. 5
 (Left) Yasuhiro Morikawa, Manager, Research Office No. 1, Research Division No. 3
 (Right) Masahiro Matsumoto, Manager, Research Office No.2, Research Division No. 5

Fiscal 2014 is particularly important for ULVAC in achieving the shift toward a growth phase. For that, we will reinforce our R&D efforts to develop next-generation pillars of business for further growth.

Here, we present one of our important strategic technologies—Through-Silicon Via (TSV) and 3D packaging. To address the accelerated growth of information volume in the era of cloud computing, this technology plays an essential role in increasing the speed and volume of information communications. Three key persons who are involved in the development of TSV packaging technology discussed the outlook for this technology.

Vacuum, TSV and 3D Packaging

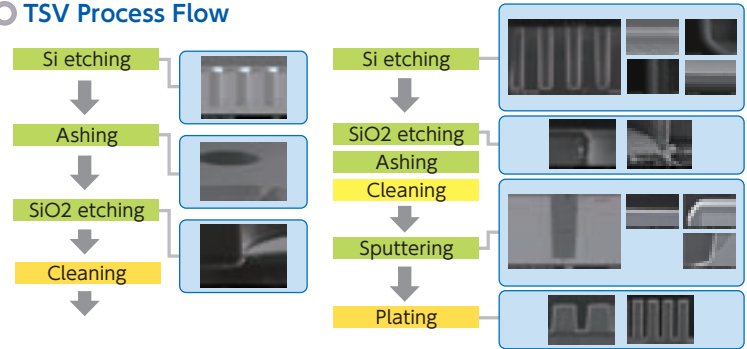
Based on its sales achievements of equipment for wafer processes, such as sputtering equipment¹ and ashing equipment,² ULVAC started the development of low-cost TSV turnkey solutions around 2008 and began offering them for sale in 2010. (Morikawa)

In the 1990s, the miniaturization of semiconductor devices was all you needed to achieve lower costs, lower power consumption and higher speed. With the miniaturization of semiconductor devices having reached a limit, the TSV and packaging technologies have surfaced to further improve performance. If two or more miniaturized chips are stacked vertically as a package using a through-silicon via (TSV), the length of connections is shortened to increase the velocity of communications. (Matsumoto)

Especially for smartphones, which have been getting smaller and increasingly require less power consumption, the TSV and 3D packaging technologies has a considerable effect on improving their performance. In other words, smartphones can be even smaller, thinner and achieve speedier communications. (Tani)



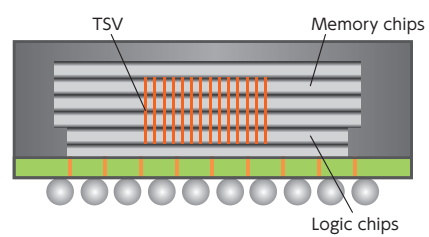
TSV Process Flow



※1 **Sputtering equipment** ... is designed to deposit thin films onto a substrate by making the ions in argon plasma impact against a target material and ejecting the atoms from the target surface.

※2 **Ashing equipment** ... is designed to remove the organic photoresist after it is used for masking by using a plasma source.

TSV Solution



What is TSV? ... TSV stands for through-silicon via, which is an electrode that passes through silicon semiconductor chips that are stacked vertically. TSV interconnect technology enables to provide high-speed connections of signals and power sources to the stacked chips via TSVs.

⇒ Lateral communication between operating divisions enables speedier development of next-generation technologies



For the development of the TSV and 3D packaging technologies, the R&D teams at the Institute of Semiconductor & Electronics Technologies share information with the business operating divisions: the Semiconductor Equipment Division

and the Advanced Electronics Equipment Division.

In such an advanced technological area with no established industry standards and road maps, customer requests are constantly changing

with an expectation of a swift response.

Given the constantly changing market situation, technological innovations and customer needs, it is ULVAC's strength to be able to quickly acquire information and offer advanced vacuum technologies to provide comprehensive support from development to mass production of the products customers require. (Morikawa)

Regarding smartphones, for example, ULVAC offers not only the TSV and 3D packaging technologies but also other vacuum technologies including the Micro Electro Mechanical Systems technology in relation to thin film lithium cells, which are expected as smaller and longer-lasting batteries, as well as sensors and other devices. In addition, ULVAC places a strategic emphasis on the development of flexible displays, which have attracted considerable attention as a next-generation technology. (Tani)

⇒ ULVAC's TSV technology will find an extensive range of applications in society

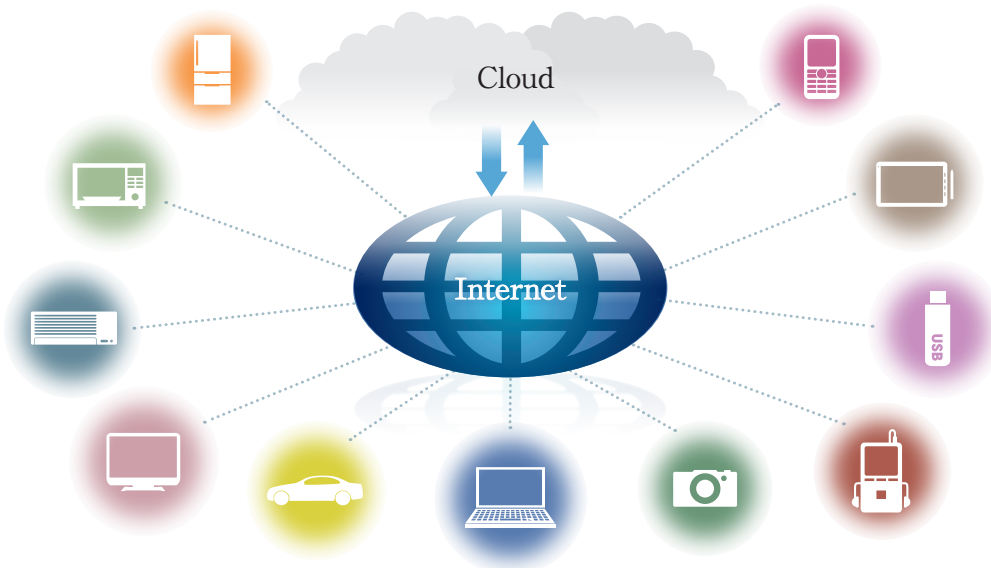


We expect that the TSV packaging technologies will be initially used for high-end devices such as smartphones and computers and will likely find wider applications

in various electrical appliances that support people's lifestyles. The Internet of Things (IoT) will connect those appliances. We believe that all such devices will connect to the Internet through, for example, wearable terminals,³ which are being developed by ULVAC, to help create a better environment for people's lives. (Tani)

※3 Wearable terminals ... refer to information devices that are wearable.

○ Society where everything connects to the Internet



Improve the ULVAC Brand

Our goal is safe, confidence-inspiring products

To maintain and control the ISO 9001 certification procedures for quality management systems as a Group, we will integrate our internal certification during the next three years. We will deliver high-quality products around the world at our many production factories and Group companies.

To maintain the “ULVAC quality,” we have established ULVAC brand standards and a certification system, and have a strict check system in place for the start of production and type approval. In addition, we have a strict check system at each process of the products manufacturing.

Quality Policy

“Customer confidence in quality of ULVAC production”
The ULVAC group is committed to provide the highest quality products and services to respond to the global needs of our customers and become their partner of choice.

Action Policies

- ① We comply with all rules and procedures.
- ② We do not deliver any nonconforming products to the next process.
- ③ We observe delivery times leading to the next process.
- ④ We commit to the production budget.

Reinforcement of Risk Management from the Inquiries and Order-Taking Stages

To strengthen the front loading, we focus on activities to enhance collaboration between the Sales/ Engineering/Design and Production Departments in terms of technology and skills, experience and know-how, wisdom and ideas, and related information and data, as well as to incorporate the respective results into the upstream development and design process.

The essence of the front loading is to realize total optimization of the heterogeneous elements in the whole life cycle of manufacturing such as R&D, design, production and maintenance through the combination of these elements. We are committed to reviewing our process of realizing total optimization to this end.

Making Rapid Improvements Based on Quality Information

Quality control system for customer satisfaction and confidence

Risk analysis and feedback are two fundamental concepts of ULVAC’s quality management system. Following the flow that begins at the development and design stage, we identify risks and countermeasures to them, thereby prevent quality issues. In line with the enhancement of front loading, we also run a stringent check

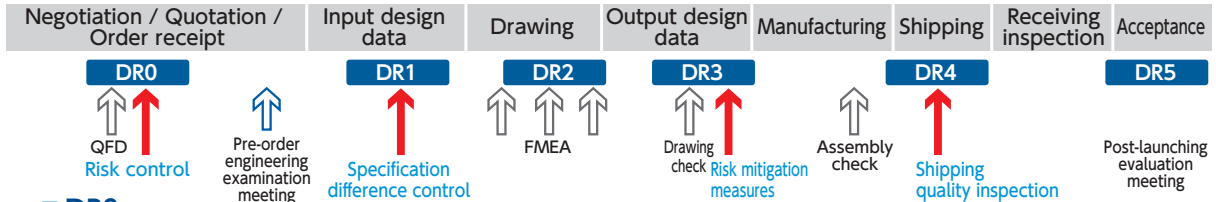
during the quality inspection at each process of manufacturing and prior to shipping. Through these activities, we aim to be timely providers of products that reflect the most up-to-date technology so that we can promptly support our customers’ production activities.

Reduction of additional costs

We are reducing failure-related costs by promoting front loading, which encompasses risk analysis from the development and design

stage, feedback from claim information and strengthening upstream design capability.

Quality Assurance System Concept in Relation to Development and Design Flow



DR0

Thorough understanding of specifications required by the customers, QCD risks and development elements

DR1~3

Is input DR being conducted as specified in the DR0 control document? Confirm the QCD of design input for modules and units with high risks

DR: Acronym of Design Review

QFD: Acronym of Quality Function Deployment, a method to transform qualitative customer demands into quantitative parameters.

FMEA: Acronym of Failure Modes and Effects Analysis. This is a preventive process implemented prior to the introduction of new functions to product or process change, a systematic analysis technique for potential failure modes.

QCD: Acronym of Quality, Cost and Delivery, three fundamental conditions for manufacturing.

DR4

Confirm that no verification items remain unchecked

DR5

Reflect on the project to utilize the profit and loss and problem response record in future orders

Globalization of the ULVAC Brand

Based on a checklist, the products of the ULVAC Group are assessed with respect to their model registrations; clarification of commercial distribution; compliance with the standards of ULVAC trademarks: management system for quality, environment, safety, hazardous substances, etc.; protection of intellectual property rights; and technology leakage preventive measures, among others. Only the products that satisfy all of these criteria are permitted to be manufactured, produced and sold. Such products are maintained

and managed using the product, production and sales matrix for ULVAC Group products. Such a strict system allows us to distribute “ULVAC Quality” around the world, thereby supporting our globalization.

Beginning in fiscal 2014, we will integrate the ISO9001 certification of each ULVAC Group company spending the next three years aiming for the quality improvement at each Group company, thereby delivering the high-quality products.

Product safety

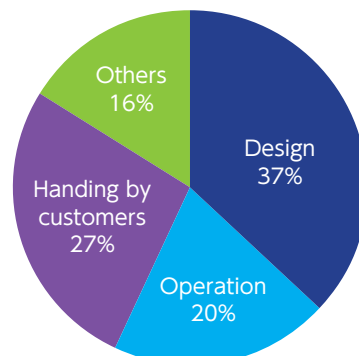
Due to the various measures taken to date, the product accident rate has been steadily decreasing. On the other hand, importance of development and design is increasing in order to meet the customers’ requests regarding the product specification. In fiscal 2014, we will

seek to enhance the safety of ULVAC products by putting greater efforts into education on machine safety for engineers and to eliminate product accidents on a global level for all employees engaged in manufacturing to the handling of products.

Quality inspection overseas



Breakdown of causes for product accident



ULVAC Group's Global Intellectual Properties

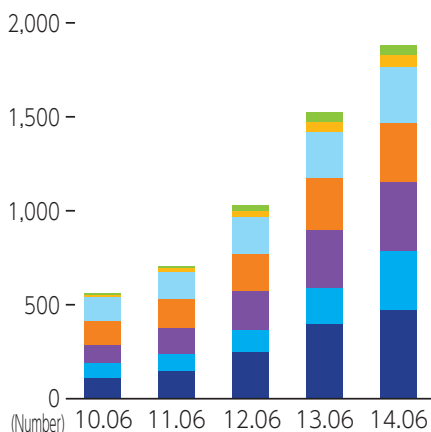
Global/Asian Strategy for ULVAC's Intellectual Properties

The ULVAC Group's basic strategy on intellectual properties consists of "protection of the Group companies' intellectual property rights on their products" and "respect for the intellectual property rights of third parties." Due to increases in its ratio of overseas sales and the number of production facilities overseas, ULVAC has acquired more intellectual property rights overseas. As a result, the number of the Group's patents registered overseas reached a record 1,900 as of June 30, 2014. Patents registered in Asia, particularly in South Korea, China and Taiwan where the Group has many production facilities and customers, have increased significantly, accounting for around 65% of the total patent count. The Group also has been promoting the registration of designs and trademarks to counter imitation products and protect the Group's brands.

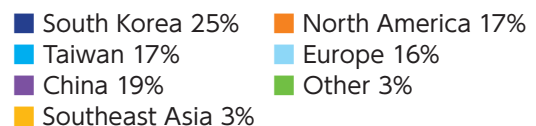
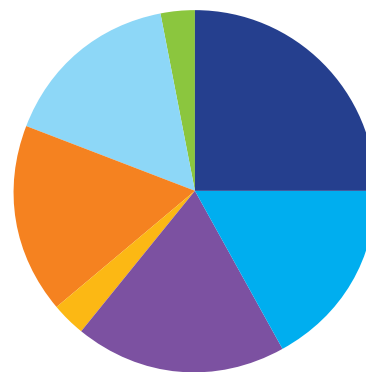
To prevent the infringement of intellectual property rights of third parties, we conduct surveys on conventional technologies concerning the products being developed or planned, as well as a periodic patent survey for each group of products. The Group's research and development division ensures

the protection of the Group's intellectual property rights by initiating preparations for patent application at the stage of experimental production and addressing the registration of applied patents and design rights when the relevant products are being designed and manufactured. The Group also provides education on intellectual property rights and raises awareness and exchanges information through regular meetings among the Group companies. In the days ahead, the development and design of equipment at a place closer to the customer side will accelerate mainly in Asia, giving emphasis to the acquisition of intellectual property rights as an important means of ensuring management resources. The ULVAC Group will increase its efforts to promote patents regarding its mainstay products with the aim of efficient patent applications and high-quality patents overseas. Furthermore, we will evaluate the relevance of patents with business plans and select overseas patent applications based on sales planning and marketing information to reinforce our intellectual property rights.

○ Number of patents overseas (accumulated)



○ Percentage of patents overseas by region



Structural Reforms and Consistent Procurement Activities

Cost-Reduction Activities

In fiscal 2014, ULVAC will continue to promote the 3S, Global Production (Procurement) and Cost-Reduction activities to reinforce the relationships of co-existence and co-prosperity with suppliers and improve its overall profitability. In particular, we will promote cross-sectional efforts among different operating divisions, including cost-reduction workshops for practical education, to pursue the reduction of manufacturing costs.

Cost-Reduction Workshop

At a cost-reduction workshop, participants learn how to visualize manufacturing costs using the methods of cost table and cost benchmark.

Data from the workshop can be utilized by ULVAC and the ULVAC Group to examine price estimates and manufacturing processes, thereby enabling efficient cost reductions.

What is a Cost Table?

Calculating the cost structure of each component
Various costs, including those of materials and processing, are calculated in detail

A “measure” for precise cost evaluation

If you enter a part’s material, external dimensions and other necessary information into the cost table, it automatically estimates the part’s price for you, which enables the appropriate and prompt evaluation of price estimates.

The cost table enables even inexperienced employees to calculate reasonable costs, which is helpful for price negotiations with suppliers.



A scene from a study meeting on cost tables

What is a Cost Benchmark?

Evaluating the prices of differently shaped components under the same definition

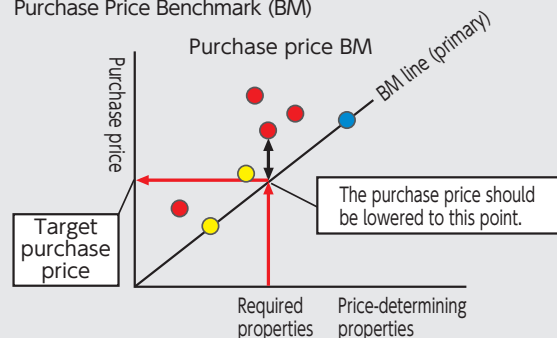
A comparison of costs with differently shaped components

The cost benchmark method enables a comparison of prices among similar parts with different shapes by plotting the prices of those parts on the same chart.

This method enables the sampling of parts that were purchased at relatively high prices, which clarifies a way to achieve cost reduction for the equipment to be manufactured next.

BM (Bench Mark) Method

By plotting the price-determining properties of parts on the horizontal axis and the purchase prices thereof on the vertical axis, you can find the lowest possible price. Purchase Price Benchmark (BM)



Procurement Risk -Reduction Activities

Through strict management of the supply chain of parts, the ULVAC Group engages in efforts to minimize the risk in the supply of parts to be used for particularly important products and services in times of disaster. We will further cooperate with suppliers in sharing information to reduce procurement risks.

Basic BCP (Business Continuity Plan) Policy for Procurement

- Through the management of the supply chain of parts, we minimize the risk in the supply of parts to be used for particularly important products and services in times of disaster.
- BCP management items:
 - Major earthquakes and tsunami
 - Flooding due to river overflows and other reasons
 - Disasterous fires and explosions
 - Wars, conflicts, political instability and worsening security in source countries

- ① Products and services (including public services) that serve to ensure the business continuity of customers
- ② Important models in the medium-term plans of operating divisions

Determination of the products and services to be managed	2013	2014	2015
Step 1: Select the products to be managed			
Step 2: Select the products to be managed			
Evaluate and improve the suppliers' systems			

Response to “Conflict Minerals Issue”

The ULVAC Group has declared “the ULVAC Group Basic Procurement Policy” regarding the observance of laws and regulations, the maintenance and promotion of fair and free competition, and the establishment of sound and friendly relationships with suppliers. In the

current term, for the purpose of establishing a more confident partnership with suppliers and fulfilling our social responsibility as a part of supply chain, we hereby request that the newly listed nine items below be complied including the response to conflict minerals issue.

- | | |
|---|---|
| <ol style="list-style-type: none"> ① Laws and Regulations, and Social Norms ② Fair Transactions and Corporate Ethics ③ Respect of Human Rights and Occupational Safety and Health ④ Safety and Quality of Products and Services ⑤ Information Security | <ol style="list-style-type: none"> ⑥ Environmental Preservation ⑦ Realization of Appropriate Prices and Delivery Times ⑧ Improvement of Technical Strengths ⑨ Sound and Stable Corporate Management |
|---|---|

For the conflict minerals, which are taken up in “1. Laws and Regulations, and Social Norms,” refer to the following.

[Conflict minerals]

Conflict minerals refer to certain minerals from the Democratic Republic of the Congo (DRC) and surrounding countries, of which mining and trading finance or benefit armed groups directly or indirectly, or which are the source of human rights violations and/or labor issues. The Dodd-Frank Act, which was established in July 2010, requires publicly traded companies in the United States to perform due diligence with respect to the sourcing of conflict minerals and

to file and disclose annual reports relating to the use of conflict minerals. Considering that these initiatives regarding conflict minerals under the Act are a social responsibility of an enterprise, ULVAC Group intends to address initiatives toward the non-use of raw materials which are mined or exploited with unfair funding and/or illegal methods, as well as the non-use of parts and components containing such conflict minerals.

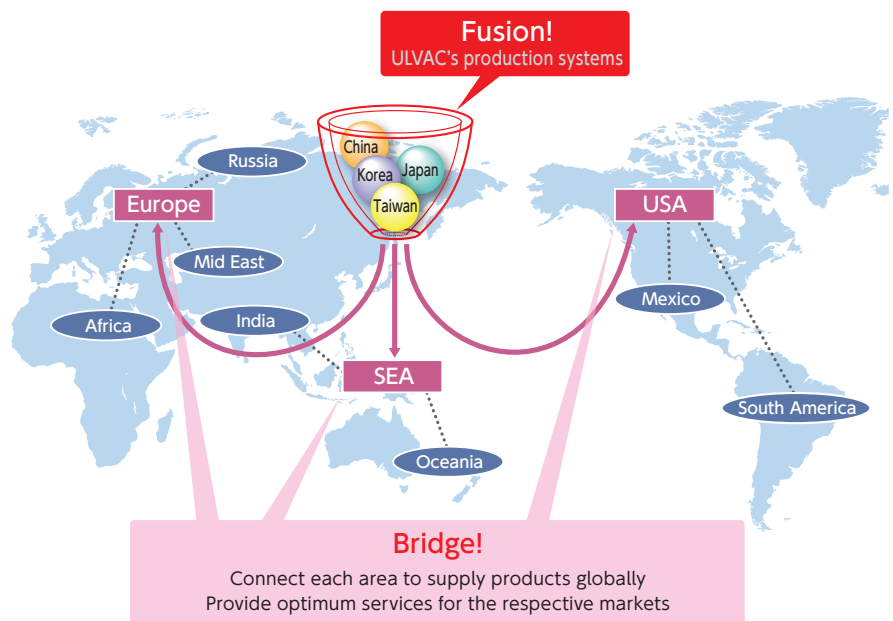
ULVAC Group's Global Business Development

ULVAC Group's Production Systems feature the Strength of Diversity

Centering on East Asia, the ULVAC Group has been actively expanding business overseas to fuse the benefits of Japanese MONODZUKURI and the cost advantages of offshore production. In recent years, not only Japanese but also South Korean and Taiwanese customers have been placing their production sites in China. Multinational cooperation is now indispensable to Asian MONODZUKURI markets, which have been expanding to include the Southeast Asian countries. A uniform business approach could not fully meet the needs of customers operating in highly diverse regions such as Southeast Asia, which will likely see further growth in population and industries. To accommodate to local needs in Southeast Asia speedily and flexibly, we will build systems within the region to ensure efficient and comprehensive control over the Group's

operations there. The Group's service offering locations in the countries where we operate will step up their efforts to identify and meet local needs and work together to achieve further expansion of ULVAC's vacuum business.

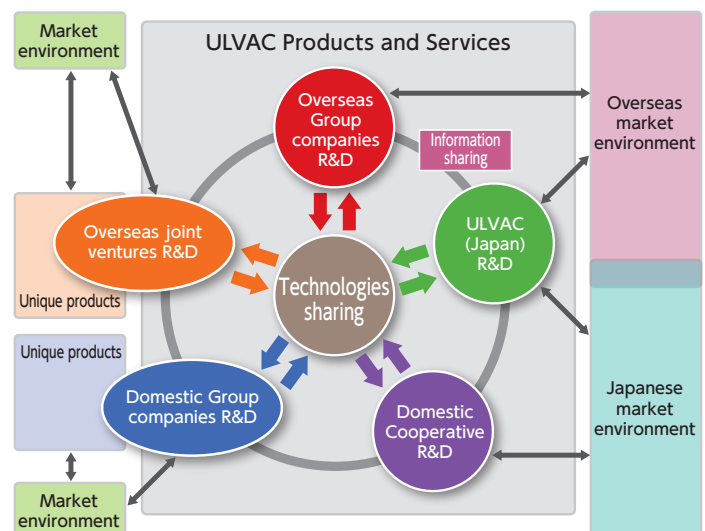
○ Production Systems Centered on East Asia



Establishing the Group's Technological Assets System throughout ULVAC Group

To date, the development of vacuum equipment has been conducted by the R&D teams based at the head office in Japan. With a growing share of ULVAC products in overseas markets, however, our R&D system needs to adjust to ensure faster and more flexible responses to local needs. Therefore, the ULVAC Group will actively promote R&D efforts based in overseas markets. As for intellectual properties overseas, the Group will not only pursue patent applications overseas but also create and manage a portfolio of rights to the Group's products to encourage the effective use of the intellectual properties of the Group companies. While unifying the management of product sales, services and development authority throughout the ULVAC Group and securing them, we will also promote the sharing of development information to ensure effective R&D activities, thereby better accommodating customer needs.

○ Image of the Group's R&D System



Integrated Group Capabilities Enhance Our MONODZUKURI and Development of Human Resources

The ULVAC Group has contributed to the development of the vacuum business for more than 60 years since its foundation.

Like other manufacturers operating in Japan, ULVAC has continued making efforts to enhance the production technologies, high quality of supply chain and enthusiasm for MONODZUKURI, with the cooperation of its employees and business partners. As an attempt to hand down the experience and expertise accumulated over 60 years to the Group's younger generations at home and abroad, we held a workshop titled "ULVAC Global MONODZUKURI Academy" at ULVAC KYUSHU CORPORATION, one of the Group's production facilities in Japan. The seminar was

attended by 28 executive candidates from 10 Group companies based in China and Southeast Asia. The participants were given the opportunity for intensive study of the production technologies and systems at the facility and the ideas behind MONODZUKURI, while exchanges were encouraged. Returning to their own countries, the first-hand knowledge they learned at the Academy will be used to improve operations at their own facilities throughout the world. We will continue to offer these international learning opportunities so that the experience and expertise accumulated within the ULVAC Group will be effectively used for the production activities of the Group companies not only in Japan but also overseas including emerging nations.



Participants at the "ULVAC Global MONODZUKURI Academy"



A scene at the "ULVAC Global MONODZUKURI Academy"

VOICE

Comments from the Workshop Participants



ULVAC (SUZHOU)
CO., LTD.

Mr. Gu,
Vice President

I was greatly impressed with the highly advanced production and quality control methods conducted at a supplier's site, which I have not seen at Chinese manufacturing sites. This taught me a lot. Holding discussions at the workshop with participants from ULVAC Group companies throughout the world, I felt ULVAC's high level of awareness toward MONODZUKURI. Please look forward to a higher level of MONODZUKURI to be achieved in China.

I was struck by the manner of Japanese ULVAC employees who were seriously engaged in their duties, while respecting and obeying rules and following schedules. I was moved by their enthusiasm more than anything. I want to apply what I learned about production control systems to enhance the operations at our company.

ULVAC Orient
(Chengdu) Co., Ltd.

Mr. Pu,
Senior Manager



ULVAC (SUZHOU)
CO., LTD.

Ms. Li,
Supervisor

The quality control methods, such as the why-why analysis and the FMEA, as well as the factory tour, especially the automated processing facilities, were impressive. I want to use what I learned at the Academy for our employee education, combined with examples at the Academy.



Tanbo Project in its fifth year near Namegaya, Chigasaki, Kanagawa, Japan

Environment

We would like to introduce the ULVAC Group’s global environmental contribution activities such as environment-friendly products and various measures taken by the Group companies.

Promoting Global Environmental Management and Minimizing the Environmental Impact

The ULVAC Group, under its environmental policy “Develop products that contribute to energy saving, resource saving and environmental conservation,” is emphasizing the development and production of products that maximize their environmental contribution when used by customers. We also thoroughly manage energy consumption and waste emissions in our business operations with an aim to minimize the environmental impact of our business activities.

Environmental Management of the ULVAC Group

The ULVAC Group, which operates in a number of regions including Asia, Europe, the United States and Central and South America, has a global production system and it is necessary to share information among the Group companies and implement directions from top management speedily and accurately. To that end, we will enhance

Group governance through integration of the ISO14001 certification on a global basis, which were previously obtained at each Group company.

The ULVAC Group will continuously reduce the environmental impact through its products.

● ULVAC Group Environmental Philosophy

ULVAC Group takes on one of major issues for everyone around the world, which is to conserve and protect the global environment. We will consider environmental conservation in all aspects of our business activities and will contribute to develop a better place to live and an enriched society.

● ULVAC Group Environmental Policy

Develop products with a goal to save energy, reduce the use of natural resources and contribute to the conservation of our environment.

1. ULVAC Group products/Final products
2. ULVAC Group manufacturing process

Environment-Friendly Products

ULVAC, Inc.

The HELIOT 900 Series leak detectors help containing the emissions of greenhouse gases.

Leak detectors detect leakage using helium gas. Due to its high reliability, helium leak testing is applied to inspect an extensive range of products. For equipment that requires refrigerant gas, including air conditioners, freezers and water heaters, helium leak testing is indispensable.

Because refrigerant gas is responsible for destruction of the ozone layer, thereby exacerbating global warming, the use of chlorofluorocarbons (CFCs) as a refrigerant gas was replaced by hydrochlorofluorocarbons (HCFCs), which now have been replaced by hydrofluorocarbons (HFCs) with less environmental burden. The HFC refrigerant, which has now become mainstream, shows almost zero ozone depletion potential (ODP), although its global warming potential (GWP) is still high. Therefore, in addition to the collection of HFCs when the relevant products are discarded as required by the Home Appliance

Recycling Law and the Law Concerning the Recovery and Destruction of Fluorocarbons, measures are required to control HFC emissions during the manufacturing of HFC-loaded products. Helium leak testing is used to inspect for any leakage before such products are filled with HFCs. Subsequently, such testing can also serve to detect small gas leakage from the product into the environment until the product is discarded. That way, our helium leak detectors significantly contribute to the reduction of refrigerant gas emissions, which are a major cause of global warming.



HELIOT 901W1 helium leak detector

VOICE

Crossing the borders of divisions to act as one development team for the best result

For development of the HELIOT 900 Series helium leak detector, we aimed to attain a boost in its measuring performance through revisions to the analysis and exhaust systems at the heart of the leak detector, as well as the enhancement of the design and user-friendliness.

In all respects, including performance, operability and design, we had to overcome technological difficulties to achieve the desired result. Crossing the borders of divisions, the team members from the different fields—research and development, design, manufacturing and product management—exchanged ideas to overcome the difficulties.

The team will continue to make a unified effort to enhance the performance of the leak detectors. To promote sales expansion, we will not only target the Asian markets, including Japan, but also break into the highly competitive markets of Europe and the United States.



The HELIOT 900 Series development team members



For more details on the ULVAC Group's environmental initiatives, visit the URL: <http://www.ulvac.co.jp/csr/>

Tanbo Project Has Entered Its Fifth Year

With the cooperation of Chigasaki City, Kanagawa Prefecture, where its head office and plant are located, ULVAC launched the Tanbo (rice field) Project in 2010 as a local contribution activity for the community. Since 2011, we have gained the support of the Shonan Research Institute at Bunkyo University, gradually expanding the scale of the project until it has celebrated its fifth round this year.

The Tanbo Project involves a series of activities from rice planting to harvesting, which are conducted at the rice fields held by Kazuyuki Nonaka, a farmer, in Namegaya, Chigasaki. Joined by not only ULVAC employees but also Bunkyo University students and local citizens, the project has reached its fifth year. On this occasion, we had a round-table talk at the rice fields about the history and future of this event.



Participants in the discussion

(listed in random order)

Kazuyuki Nonaka
(Agricultural adviser)

Masao Okano
(General Manager, the Shonan Research Institute at Bunkyo University)

Genta Hirayama
(Agriculture and Marine Products Section, Economic Department of Chigasaki City)

Miho Yamamoto
(General Administration Department, ULVAC, Inc.)

Kensuke Ida
(Corporate Environment, Safety & Health Department, ULVAC, Inc.)

MC

Takayuki Usumi
(Senior Manager of Corporate Communication and IR Team, Management Planning Division, ULVAC, Inc.)

“Let’s reproduce the method of rice growing in the Edo era.” It all started manually.

Usumi: Let me start by extending my greatest appreciation for the considerable support you have given to the Tanbo Project, which has entered its fifth year. First, Tanbo Project Leader Ms. Yamamoto, could you brief us on the Tanbo Project?

Yamamoto: This project started with two major objectives. One was to solve the agricultural and environmental issues of Chigasaki City in relation to deserted agricultural land. The other was for the Company to make local contributions to the community where it operates and provide employees and their families with refreshing opportunities. As a project leader, I support the Tanbo Project from an overall perspective.

In its first year, the project started with only one rice field, which has increased to four fields, with a total area of about 328 tsubo, or more than 1,000 square meters, over the past five years. The accumulated number of project participants exceeds 170. Joined by a local sake brewer, the number of harvest-celebrating events has also expanded. This year, we also started planting sticky rice, which is a kind of rice used to make rice cakes. Nature observation at the rice fields, a popular event of the project, has always attracted many children from the community and employee families.

Usumi: I am happy to hear that the events have attracted a growing number of participants. Now, could you tell me about your involvement with this project?

Hirayama: Chigasaki City has taken initiatives to address an increase in abandoned arable land through activities called the Farming/Fishery Experience Project and Volunteering for Elimination of Abandoned Farmland. With participation of the city’s residents, these events have provided opportunities to be in close contact with nature, leading to efforts to restore farmland. Meanwhile, to prevent the abandonment of arable land, we have promoted “intensive use of farmland” by matching aspiring farmers with arable landowners who want to lease their land for farming.

The relationship of Chigasaki City with the Tanbo Project started when we were approached by ULVAC and introduced them to Mr. Nonaka, a farm landowner, and Professor Okano at Bunkyo University. Since then, we have been involved with the project by offering related support and information.

Nonaka: These rice fields had been left idle for almost 20 years. Not being a full-time farmer, I worried about whether I could fulfill the responsibility as an adviser to the project when asked to do so by Chigasaki City. However, the involvement with the project has become a big pleasure for me. Because I had already

Tanbo Project Has Entered Its Fifth Year

relinquished my cultivator and threshing machine when we started the project, I decided to try doing all of the rice growing operations by hand as they were done in the Edo era, beginning with Shiro-kaki (the work of preparing a rice field for planting by flooding it and tilling the soil). Because I was not sure even about the appropriate amount of fertilizer, the grains of rice we harvested were small. Since the year before last, we have used astragalus as a fertilizer, which was provided by Chigasaki City's Agriculture and Marine Products Section.

Providing an opportunity to be in contact with nature and learn the preciousness of life

Ida: Rice fields are covered with the astragalus flowers, and many butterflies are flying over.



MC: Takayuki Usumi, ULVAC, Inc.

Although such a traditional sight of rice fields makes me happy, we see fewer and fewer of them these days. The environment in and around the project rice fields has changed a lot over the past five years.

Nonaka: The vegetation and biota of the region have changed significantly, with increasing types of creatures. Children in the region are allowed to enter and play in the rice fields carpeted with flowers. I am happy to see the smiling faces of

children at the nature observation event organized by Mr. Ida.

Ida: Today's children have few opportunities to directly see and touch the creatures living in nature, although they have seen those kept in an aquarium or sold at a pet shop. I hope the hands-on experience of observing nature as it is will help children commune with nature and learn the preciousness of life.

The human intervention with the once idled land has caused many other changes. There was a decrease in the number of mole crickets, which were often observed when we plowed a rice field for preparing of rice planting. Cogon grass, initially found in clusters, has been replaced by shorter plants, with dragonflies and butterflies increasing in number. I hope more and more people will observe these changes and start thinking about coexistence with nature. In relation with the project, I have been nursing the idea of compiling

a picture guide to the creatures living in Chigasaki City, and this year we launched such a project.

Nonaka: You will find many kinds of birds coming to the fields, including pheasants, bamboo partridges, mallard ducks, spot-billed ducks, night herons, white herons and blue herons.



Mr. Masao Okano, Bunkyo University

Rice fields make an impression on young generations

Usumi: Many students from the Shonan campus of Bunkyo University have participated in the Tanbo Project. Mr. Okano, have you found any changes in the students?

Okano: Around 20 students joined the project in its first year, and the number had been smaller in the subsequent years before this year's rice planting event attracted about 50 students. Participation in an extracurricular activity must address a specific purpose, and the Tanbo Project is used as a subject of research on the revitalization of idle farmland, social contribution activities of an enterprise or corporate social responsibility (CSR) activities. The hands-on experience of agricultural labor seems to serve the students' academic studies in an effective way. Their involvement with the project was once featured on a local radio program. Some students made a video record of the event.

Since its third year, the project has been joined by an activity team of child-raising mothers called the Chigasaki Trust Team, which has developed a range of activities that the students carry out. When in contact with the participating children, the students sometimes show expressions not seen at the school.

The serious theme of their studies aside, the students seem to have their young senses greatly stimulated by the natural beauty of the rice fields before them.



Kensuke Ida, ULVAC, Inc.

Usumi: I suppose young people tend to stay away from agricultural work. Are you doing anything in particular to invite students to participate in the project?

Okano: We are still in the process of trial and error, but the promotional poster created by Ms. Yamamoto helped increase the number of participants, as it strongly presented the amusing nature of the event. Recently, the firm fashion has attracted growing attention to the extent that the term farm girl has been coined. The experience of direct contact with soil, being away from a busy schedule, might prove a novel opportunity for many people.

The severe reality of doing agriculture for a living

Ida: Farming has been traditionally seen as a tough and hard job, but I want more people to casually experience it and discover the pleasure and joy of farming.

Nonaka: I certainly agree, but on the other hand, it is true that people who make a living in agriculture face a severe reality. I would like the students to know the reality of doing agriculture for a living, as well as the enjoyable side of it, and how to overcome such realities. Right now, I am heartily enjoying the Tanbo Project, but I don't have a future view on what

securing water has always been a big issue in agriculture. This also applies to the national government; it is traditionally said that those who control the water govern the country. I hope you will take up activities related to water in the future by some means or other.

Ida: It is true that ULVAC uses a large amount of water in its manufacturing processes. Hearing the difficulty of securing water for farming that Mr. Nonaka mentioned, I have reaffirmed the importance of water and the need to use it carefully for our businesses.

Okano: The good thing about ULVAC's CSR activities is its excellent ability to manage projects, from which our students can learn a lot. In addition to continuing the Tanbo Project, I hope that ULVAC will carry out other projects as well.

Hirayama: I am deeply grateful for the considerable support ULVAC has provided to Chigasaki City. The environment surrounding agriculture is affected by the aging population and the shortage of successors nationwide. Chigasaki City is no exception and expected to see fewer people doing agriculture. Even in such an environment, there are some corporations trying to initiate agricultural business. If ULVAC intends to enter the agricultural business, we are willing to provide tremendous support.

Yamamoto: Internally, I hope that the CSR activities will attract greater and broader attention and cooperation, which should bring forth better ideas and opinions. And my dream is to promote such CSR activities that capitalize on the vacuum technologies of ULVAC.

Usumi: I hope such a day will come soon. Everyone, thank you for joining us today.



Mr. Genta Hirayama, Chigasaki City



Miho Yamamoto, ULVAC, Inc.

will happen to this place as I get older. With the aging population, various attempts are being made to combat such an issue by the government and JA (Japan Agricultural Cooperatives), but no definitive solutions have yet to surface.

Hirayama: There are measures being taken by the Japanese government to address this issue, but Chigasaki City, which has a relatively small agricultural scale, needs a different approach from the countryside where farming is done on a large scale. Chigasaki City will continue to promote "intensive use of farmland," which I mentioned earlier, to support aspiring farmers who want to expand their scale and distribution channels.

Expectations for ULVAC in the future

Usumi: Finally, what requests and expectations do you have for the Tanbo Project?

Nonaka: Just as a huge amount of water is required for ULVAC's manufacturing operations,



Mr. Kazuyuki Nonaka

Environmental Performance of the ULVAC Group

The ULVAC Group has been developing business operations at its Group companies worldwide, of which each company is conducting aggressive activities to save energy and resources for their efficient use. With efficient energy use strongly in demand, the ULVAC Group strives not to waste energy.

Environmental activities of the ULVAC Group in fiscal 2013

The ULVAC Group has been promoting energy-saving activities at each Group company in line with the cost reduction associated with its structural reforms. With the increased sales, energy (electricity) use also increased by 0.7% in fiscal 2013. Considering the increase in sales, the increasing rate of energy (electricity) use was kept relatively low and as a result, we achieved some positive outcomes of the Group-wide energy-saving activities.

Introduction of energy- and resource-saving activities by each Group company

- Collect and reuse plant effluent to reduce the use of municipal water by 34% (ULVAC COATING CORPORATION)
- Turn off unnecessary air-conditioners and lighting at offices/plants. (each Group company)

CO₂ emissions increased in fiscal 2013. In addition to the increase in energy use, it is believed that this increase was due to a rise in the TEPCO CO₂ emission coefficients that ULVAC uses as a standard for calculation.

On the other hand, total waste volume decreased approximately 9% compared with the previous fiscal year. We also worked to decrease the landfilling rate which resulted in a 4.9% decrease compared with the standard of ULVAC Group (3% or lower). This is attributable to certain overseas Group companies with high landfilling rates. In fiscal 2014, we will promote the activity aiming to decrease the landfilling rate at these Group companies. Also, at the Group companies with low landfilling rates, we will continue to work on reducing total waste volume through converting waste to resources.

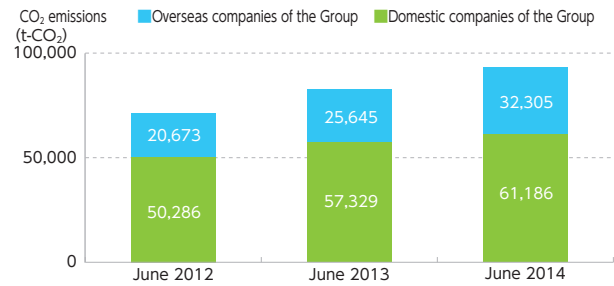
In combination with turning waste into resources with value, we will shift waste disposal methods to those with lower environmental burden.

The ULVAC Group continues to promote environmental management activities with concerted efforts at all Group companies to reduce the environmental impact of its business activities.

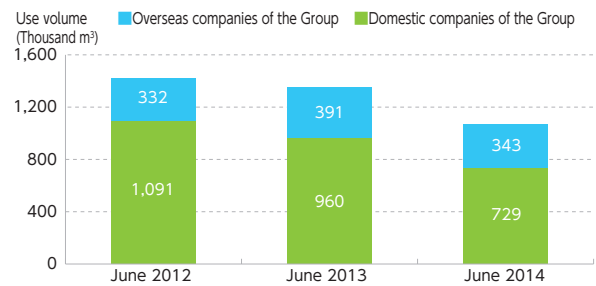
Material Balance (ULVAC Group)

INPUT	
Electricity use 157,808 thousand kWh	Fuel use volume
Gas usage	● Heavy oil 371 kL
● LPG 188 t	● Kerosene 32 kL
● LNG 616 t	● Diesel oil 121 kL
● City gas 1,651 thousand m ³	Water use volume 1,071 thousand m ³
	Packaging materials 925 t

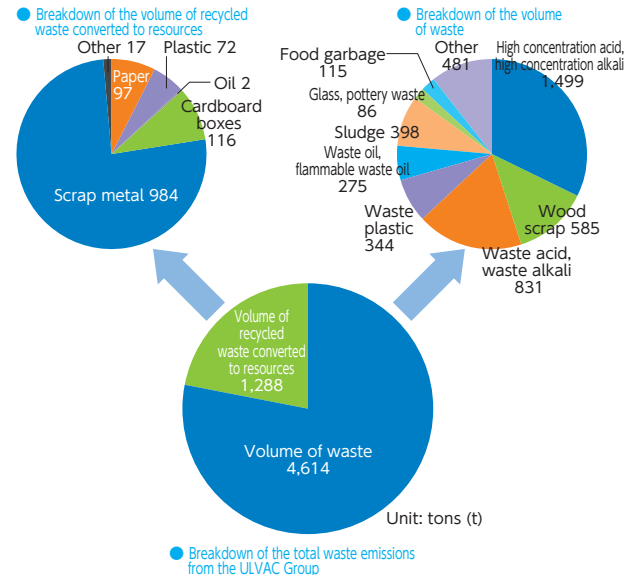
Transition of CO₂ emissions



Transition of water use volume



Transition of the volume of waste



OUTPUT	
CO₂ emissions	93,491 t-CO ₂ Emitted by use of electricity, gas and fuel
● Total volume of waste emissions	5,902 t
● Volume of recycled waste converted to resources	1,288 t
● CO ₂ emissions from transportation	2,025 t
● Final disposal rate	4.9%

* The above data is based on the data from 41 Group companies in Japan and overseas.
 * The volume of packaging materials is based on the data from 26 Group companies in Japan and overseas (one company is added from the previous fiscal year).
 * CO₂ emissions from transportation are based on the data from 4 Group companies in Japan.



Organization

To reorganize into a value creation-oriented business model, the Company must evolve through self-transformation. We promote a system in which human resources who support new and improved ULVAC can make the best use of their capabilities.

Invigorate the Individuals and Organization of ULVAC via Personnel System that Rewards Efforts and Outcomes.

As part of its business structural reforms, ULVAC made significant change in its personnel system, reviewing the remuneration and evaluation systems so that employees can share a profit-seeking mind-set and be on the same vector.

Seeking an Organization that Ensures Rewarding Job Experiences

—Invigorate the Individuals and Organization of ULVAC—

Through our recent business structural reforms, we shifted direction to a personnel system whereby employees who make great efforts are rewarded properly. Under the rational personnel and evaluation systems, we promote the transfer of authority so that each employee can fulfill his/her responsibility with passion and aspiration to improve himself/herself, and thus we strive to invigorate individual employees and the entire organization.

In our new evaluation system, instead of emphasizing only business results, an attitude to “tackle challenging issues courageously and unflinchingly” and “work as a team” are highly encouraged. We will continue to value and nurture a corporate culture in which employees can freely generate ideas and are no afraid of failure, because such a culture is important for development-oriented

company like ULVAC.

Along with the personnel system reforms, we are striving to increase training opportunities. We offer an extensive range of training programs to enable voluntary capacity building for all employees to encourage the growth of each individual, while providing specifically targeted education programs.

We also recognize the development of next-generation human resources and a personnel rotation system as essential issues for invigorating the organization. While paying attention to the balance between specialists and generalists, we are proactively promoting interaction among employees, including those of the Group companies at home and abroad, with respect for their diversity, to pursue the flexible management of the organization.

Basic Policy for Human Resource Development (Revised in fiscal 2012)

1. Human resources who respect other individuals, trust each other and fulfill their responsibilities
2. Human resources who can see the true nature of each issue and create revolutionary technologies and projects with passion and tenacity
3. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals
4. Human resources who have a global perspective and aim to take leadership in exploring the world

Round Table Discussion Meetings Where Employees Share Their Opinions with President Obinata

Since November 2013, round table discussions among President Obinata and ULVAC employees have been held.

Partly due to the president's personality, the gatherings take place in a casual atmosphere where participants can make frank remarks.

The meetings are aimed at providing opportunities 1) to enable direct communication between the president and employees; 2) for the president to directly tell employees about the Company's management philosophy, the desirable future image of the Company and what he expects of the employees; 3) to obtain ideas and opinions from the participating employees and answer questions, if any; and 4) to promote friendship between the participants and help build a network of contacts. The meetings are designed to generate mutually satisfying effects: The president can get employee opinions that could enhance

corporate management, and participants can get an outcome from communicating directly with the president that might benefit their own work.

Meetings are held at a reception room in the Chigasaki Head Office/Plant with about 15 participants each session. To date, these meetings have been held mainly with general and middle manager employees working in the Chigasaki area, but plans are under way to extend them to other areas as well.



President Obinata and employees at a meeting

Internal Seminars

Since January 2013, internal seminars have been given to all middle manager employees by inviting instructors from outside the Company. The seminar participants learn how to use the Balanced Scorecard (BSC) method, through which they examine their business issues to be tackled from four perspectives—financial, customer,

operation and human development. The seminars take place on Saturday when the Company is closed, with around 30 participants each time. The next seminars are under consideration, as we intend to continue these kinds of internal seminars.

Training for Newly Appointed Qualified Professionals

Trainings in the skills of project management have been provided to newly appointed senior staffs/engineers. The subject of a project is decided by each group of participants so that it can be completed within a year.

The subject of the projects was open until the last fiscal year, when it became a requirement to choose something associated with the Company's operations

and/or contributing to the performance of the Company, and questionnaires were introduced to help determine the subjects. Given such subjects as new businesses capitalizing on the Company's technological capabilities and measures to contribute to the performance of the Company, these trainings have effectively raised the awareness of new senior staffs/engineers.

Overseas Internship

ULVAC has been accepting foreign students as interns. From among such students, two interns were interviewed.

■ What is it that you were impressed in Japan?

Alexander : I am impressed by many things in Japan. First, the fact that almost every train and bus in Japan arrives and leaves exactly on time is amazing. This is a luxury that I wish I had in Canada. Second, the fact that Japanese cities and rural areas are both so incredibly clean! Even though I can never find a garbage bin on the street, rarely do I ever see any trash on the ground! Finally, the fact that there is such a low crime rate and you can (more often than not) actually trust people not to steal your belongings.

■ What was the thing you had the most trouble with since coming to Japan?

Akhilesh : The language barrier and the cultural differences. Being late in India isn't a big deal, but being 5 minutes before the scheduled time is everything in Japan!

■ What do you think of ULVAC people?

Alexander : Everyone I have met in ULVAC has been so incredibly nice, polite, and friendly to me. It reminds me of Canada. I'm very lucky that most people here have a good sense of humour and are willing to joke around with me too. I'm very thankful to everyone for sharing their stories with me and including me in their conversations on a daily basis even though I can only speak a little bit of Japanese.

■ What do you think of ULVAC as a company?

Akhilesh : I'm impressed by the work ethic and the work environment at ULVAC. I've interned abroad before and also in India, but I had never seen such commitment and the will to go the extra mile anywhere!

■ How do you want to make use of what you have learned in a company in the future?

Alexander : Since my major in university is Business Administration and Marketing, my experience at ULVAC has been quite productive. Even though I am stationed in the General Affairs Department, I have had the opportunity to learn about many different aspects of business, especially from the marketing and communications departments. In particular, I will make use of the interesting research, sales, and marketing techniques. I believe that all of these experiences will enhance my ability to perform once I begin my career in marketing.

Akhilesh : I've learnt a lot since the beginning of my internship, and learning more about 2D AutoCAD and 3D CAD will definitely help me a lot in the future. Also, I hope to continue following the work ethic that I'm getting used to here in Japan.



Left: Alexander Pease, who comes from Canada and is assigned to the General Administration Department
Right: Akhilesh Gannavarapu, who comes from India and is assigned to the Industrial Equipment Division

Responding to the Results of the Employee CSR Awareness Survey

We conducted the Employee CSR Awareness Survey to ascertain ULVAC employees' level of recognition and awareness of CSR during the period February 24 - March 14, 2014.

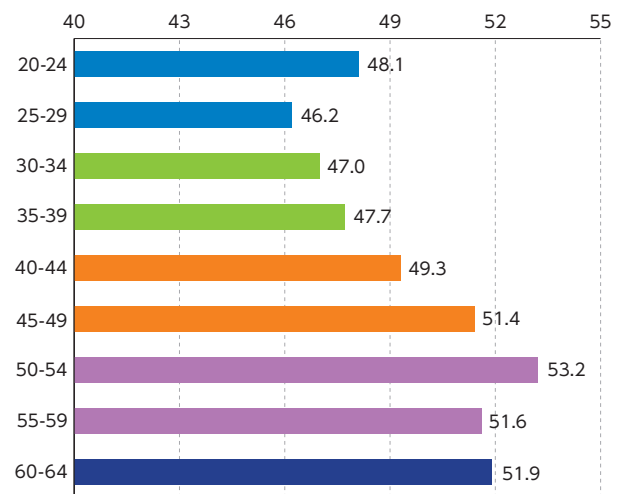
We have conducted this Web-based questionnaire since fiscal 2012. The questionnaire was answered by 1,344 employees (a participation ratio of 61.2%), of which we tallied answers from 823 employees and UPIX, the ULVAC Precious Index and Average, was calculated from the survey results using ULVAC's own formula. The UPIX's average value is 50, which was the average in the fiscal 2011 survey result. The higher the UPIX, the higher the evaluation in CSR awareness, technology, environment and organization.

UPIX by age showed a tendency that the older the employee, the higher the evaluation, which was the same as the previous year (Fig). We need to promote CSR activities and create a better workplace by listening to younger employees and middle-tier employees, who will support ULVAC's future. Specifically, we will provide feedback about the results of survey from the past three years to the relevant divisions and create more concrete questionnaire items with an eye toward the growth

phase of ULVAC.

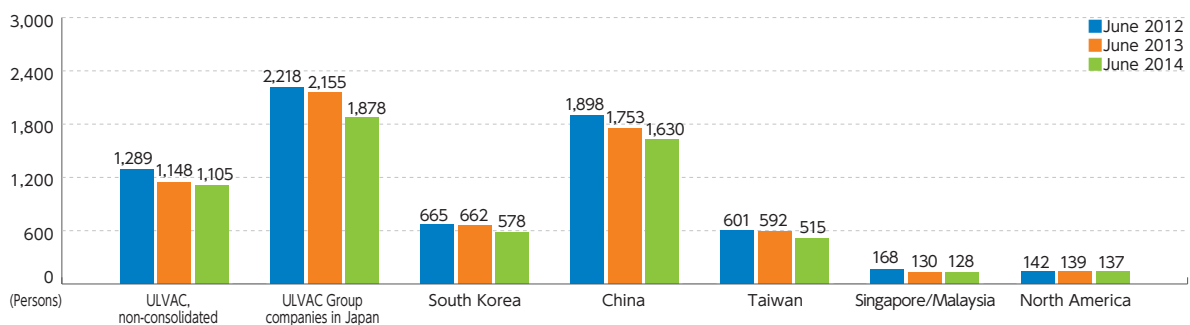
We intend to continue this survey, listen to many employees' opinions and promote ULVAC CSR activities by creating a rewarding workplace where employees can work with enthusiasm.

Fig. UPIX by age

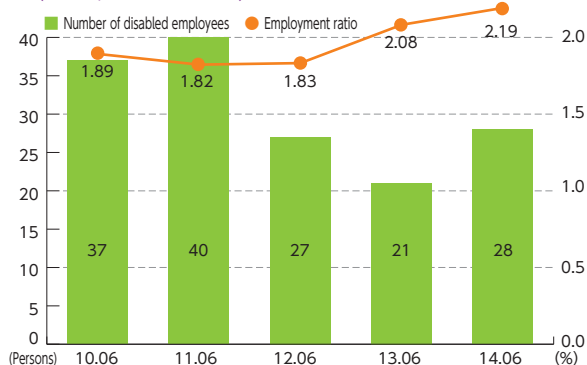


Personnel Data of the ULVAC Group

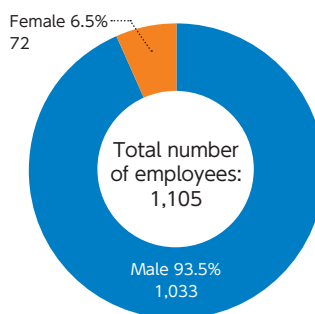
Number of employees of the ULVAC Group



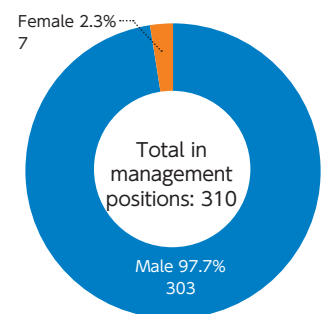
Changes in the number and percentage of disabled employees (ULVAC, non-consolidated)



Gender ratio in employees (ULVAC, non-consolidated) [June 2014]



Gender ratio in management positions (ULVAC, non-consolidated) [June 2014]



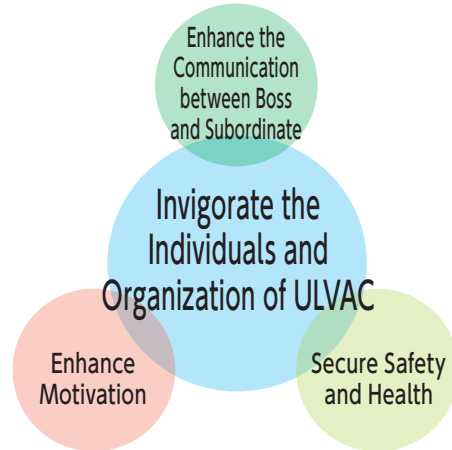
Supporting the Manufacturing of ULVAC by Promoting Employees' Health

With the vision of “Invigorating the Individuals and Organization of ULVAC,” the Health Promotion Office takes the initiative in promoting employees' health so that they can work to achieve the highest possible productivity, thereby supporting the manufacturing operations of ULVAC. To realize the vision, the Office is carrying out efforts toward three targets: Enhancement of the Communication between Boss and Subordinate, Enhancement of Motivation, and Ensuring Safety and Health (Fig. 1). With the main focus on mental health education, the Office offers Self-Care and Line-Care education according to the internal regulations called “Detailed Regulations for Ensuring Mental Health” (Table 1).

The Self-Care Education is designed to Enhance the Communication between Boss and Subordinate and is given mainly by occupational health nurses to all employees. Through a group-work-based session with a small number of participants, they learn along three themes—“listening” and “assertion,” as factors of good communication, and “recognition” with a focus on the tendency of ways of thinking. The enjoyable style of the session is favorably received by the participants.

Line-Care Education is designed to Secure Safety and Health and Enhance Motivation, and is given to all middle manager employees. Lectures are given by occupation physicians on two subjects: 1) “appropriate response to employees with mental health problem” to fulfill the duty of company's

○ Fig. 1: Vision and Targets of the Health Promotion Office



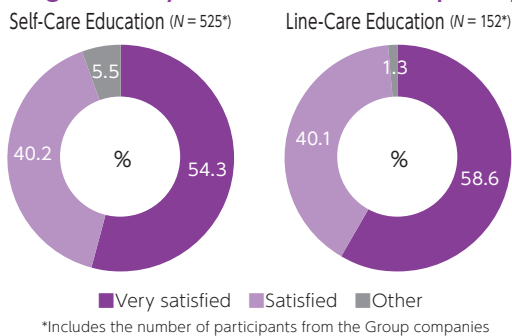
○ Table 1: Mental Health Education System

	Self-Care Education	Line-Care Education
Objective	Enhance the communication between boss and subordinate	Secure safety and health Enhance motivation
Lecturer	Occupational health nurses	Occupation physicians
Target	All employees	All middle manager employees
Subjects	Listening Recognition Assertion	Fulfillment of the duty of company's obligation of health and safety Critical points of case management The basics of motivation management

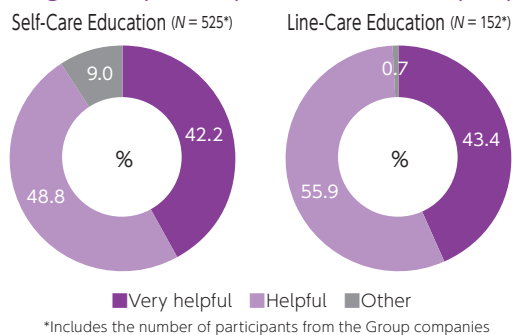
obligation of health and safety; and 2) “the basics of motivation management” to fulfill the middle managers' responsibility of improving the motivation of their subordinates.

According to a survey completed by the participants, these educational activities are highly accepted by many of them (Figs. 2 and 3). Almost half of them gave the highest mark on a five-grade evaluation, and they made favorable remarks, such as “This education should be received by as many people as possible so that awareness is raised throughout the Company” and “By offering this education to all middle manager employees, we can increase liveliness throughout the Company.” We will continue to offer these educational opportunities to help “invigorate the individuals and organization of ULVAC.”

○ Fig. 2: Survey on the satisfaction of participants



○ Fig. 3: Survey on the helpfulness of the education for participants' jobs



A scene from the educational session

Occupational Safety and Health

Among the ULVAC Group, “Safety First” is positioned as the fundamental principle of business operations, and as such we endeavor to secure safety in products and services for our customers and ensure a lively working environment where employees can work in good physical and mental health. These will be accomplished by operating our Occupational Safety and Health Management System (OSHMS) with a focus on risk assessment.

1. ULVAC’s Safety and Health Initiatives –To ensure the safety and health of our customers and employees–

To ensure the safety and good health of its customers and employees, the ULVAC Group regularly holds meetings of the Global Safety Committee, which are joined by representatives from the Group companies to determine the Group policies on occupational safety and health and ensure that they are evenly implemented, thereby promoting unified safety and health efforts of ULVAC on a Group-wide basis. Each Group company operates the

OSHMS system, which involves management review by the president or the director in charge of safety and health activities and risk assessment by each employee to ensure company-wide involvement in safety and health management efforts from the top management to onsite workers. As a result of these efforts, the number of occupational accidents at the ULVAC Group has been declining year by year.

○ ULVAC Group Safety Management System

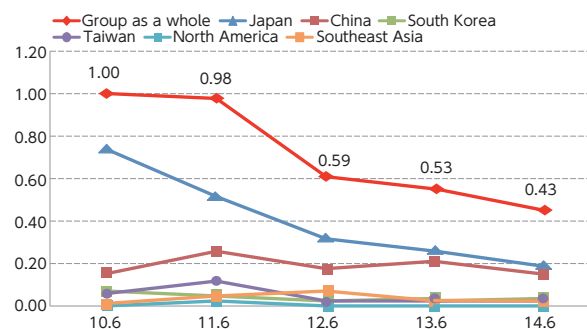


2. Aiming at Zero Occupational Accidents

The number of occupational accidents for the ULVAC Group has been decreasing year by year since fiscal 2009. The frequency ratio thereof in fiscal 2013 was down to 43% of the level in fiscal 2009. As these figures show, the safety environment of the entire ULVAC Group has been getting better each year. Not yet content with that result, we launched the 5S initiatives—Sorting, Setting-in-Order, Shining, Standardizing and Sustaining the Discipline—last year on a Group-wide basis to reconfirm the basics of safety and health management. Through the 5S initiatives, we will detect and eliminate even the slightest risk to achieving an ideal environment for the safety and health of all ULVAC employees.

○ Frequency ratio of occupational accidents throughout the ULVAC Group

This graph indicates the frequency ratio of occupational accidents in each year surveyed relative to the number in fiscal 2009 (June 2010), which is indexed as 1.00. The frequency ratio of occupational accidents in fiscal 2013 (June 2014) has decreased 57% from that in fiscal 2009.



3. Fire Prevention, Disaster Prevention and Evacuation Drills

The Great East Japan Earthquake and the recent large-scale earthquake in the Yunnan Province of China, etc. have promoted a growing sentiment of reconfirming the importance of regional disaster prevention across the globe. The ULVAC Group companies not only perform basic drills to ensure security, evacuation, initial fire extinction, etc., but also

conduct disaster prevention drills that best meet the regional needs of their environments. ULVAC's Chigasaki Plant has an agreement with Chigasaki City to open its site to neighboring citizens in case of disasters that require evacuation. That way, we contribute to regional disaster prevention.



ULVAC (China) Holding Co., Ltd.:
Drill on the use of fire extinguishers



ULVAC-PHI, Inc.:
Joint drill with neighboring factories



TIGORD CORPORATION:
Spill drill (to control a spill of chemicals)



ULVAC KOREA, Ltd.:
Drill on the use of fire hydrants



ULVAC COATING CORPORATION:
Drill on wearing an air respirator



ULVAC KYUSHU CORPORATION:
Drill on emergency life-saving methods

4. Traffic Safety Initiatives

Recently, there has been growing awareness about traffic safety, partly because the penalties for drunk driving have become severer throughout the world. With the cooperation of local police stations and traffic safety associations, each ULVAC Group

company offers traffic safety seminars tailored to the region's traffic situations and according to the frequency and purpose of using vehicles. Through these efforts, they seek to ensure that employees learn and obey the region's traffic rules and enhance their traffic manners.



ULVAC TAIWAN INC.:
A test on motorcycle brakes



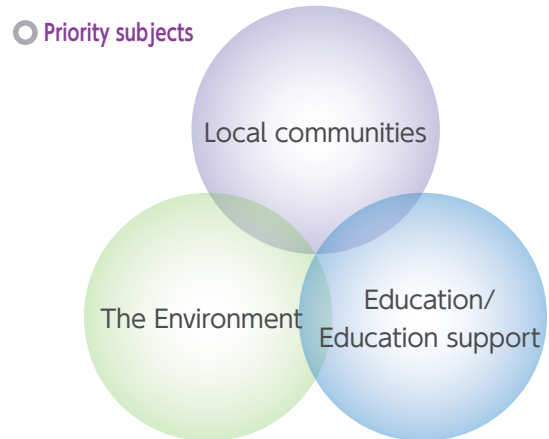
ULVAC KIKO, Inc.:
Traffic safety awareness raising campaign



ULVAC Inc.:
Traffic safety education given by a police officer

Global Corporate Citizenship Initiatives

The ULVAC Group has long been involved in a wide range of social contribution activities around the world. In 2013, We set out a basic policy and priority subjects for social contribution activities in order to the growing awareness of the importance of corporate social contributions. In line with the policy, we will continue to contribute to regional and international communities by effectively using the technologies and human resources of the ULVAC Group to solve various social issues.



Basic Policy for Social Contribution Activities

Based on its corporate philosophy of contributing to the growth of industry and science with innovative, cutting-edge technologies, the ULVAC Group provides distinctive technological innovations globally and implements initiatives for solving various social problems by using ULVAC’s technologies and human resources.

Number of social contribution activities conducted by the ULVAC Group in fiscal 2013

Education/education support:	2
Local communities:	26
The Environment:	25
Total:	53



Family factory tour



Beach cleanup activity



Factory tour by local elementary school children

Activity Examples

South Korea ULVAC Group

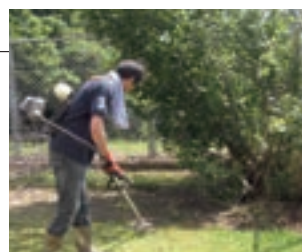
The ULVAC Group in South Korea engages in various social contribution activities.

For example, a volunteer group, SEPAS, held a “Kimchi Sharing” event in December 2013, in which kimchi pickles of 600 Chinese cabbages were made for elderly people living alone and children with no family or relatives in Anseong, Gyeonggi Province.



ULVAC KYUSHU CORPORATION

Led by ULVAC Kagoshima Industrial Park, in which ULVAC KYUSHU CORPORATION is located, the “ULVAC Volunteer Day” took place in May 2014, during volunteers cleaned windows and air conditioner filters at Yokokawa Ryokufuen, an intensive care home for the elderly, as well as removed weeds and trimmed trees there, while promoting friendship with the residents.



Corporate Governance

The ULVAC Group regards corporate governance as one of the most important managerial issues to fulfill its corporate responsibility toward society and shareholders. We place importance on the prompt and efficient execution of business operations, while securing the fairness, neutrality and transparency of corporate management. Therefore, we introduced the executive officer system on July 1, 2012 to separate the decision-making and business monitoring functions from the business executing function.

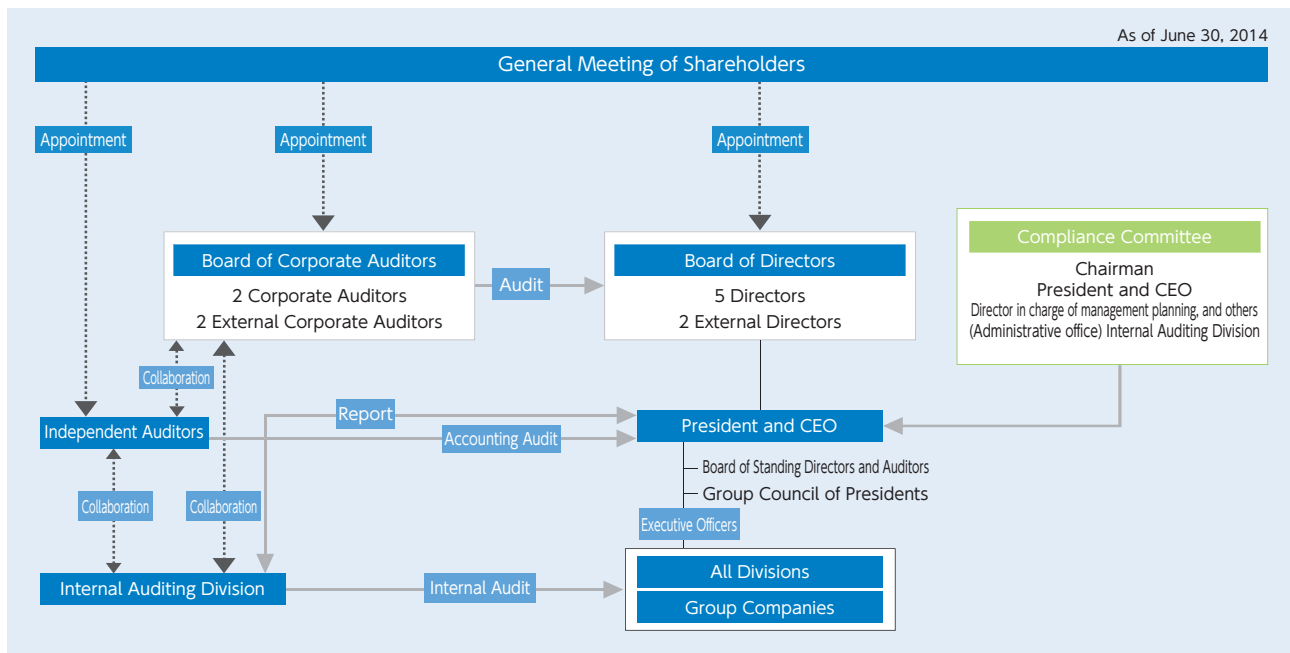
ULVAC's Management Structure

For making decisions on particularly important managerial issues, ULVAC has the Board of Directors, which consists of 7 directors, including 2 external directors, and meets as required in addition to regular monthly meetings. For monitoring managerial decisions and business execution, ULVAC has the Board of Corporate Auditors, which consists of 4 corporate auditors, including 2 external auditors.

■ ULVAC Management Structure

Operational Structure

ULVAC has the Board of Standing Directors and Auditors to supplement the decisions made by the Board of Directors, further enabling the prompt and efficient execution of business operations. Meetings of the Board of Standing Directors and Auditors are held twice a month, and additional ad hoc meetings are held as required. The Board of Standing Directors and Auditors has 14 members consisting of standing directors and executive officers.



Compliance

To introduce systems for full compliance with laws and regulations, the ULVAC Group has systematically established Compliance Regulations and related rules. In accordance with these regulations and rules, the ULVAC Group has also established operational procedures for the Compliance Committee and the Compliance Violation Reporting System and has been working to cement a spirit of compliance across the company.

Establishment of a Corporate Code of Conduct

ULVAC has established a Corporate Code of Conduct consisting of 18 items that describe the behavioral standards expected of employees. After describing the details, we give employees a

booklet that describes the content of this code. The booklet helps employees to act in compliance with the law as a representative of our business.

Compliance with Laws and Regulations via the Whistleblowing System

ULVAC has developed a Whistleblowing System to minimize the effects of any violations of laws and regulations. The contact point for the Whistleblowing System is the Internal Auditing Office that serves as the secretariat of the Compliance Committee, the internal compliance investigation division. To facilitate the use of the Whistleblowing System, the independence of the office's activities is ensured, and anonymous information is accepted. Moreover, the President and general managers of each

Dealing with Acts of Violation

If, as the result of an investigation, the Compliance Committee finds that laws and internal regulations are being violated, action is quickly taken to put a stop to the act causing the violation. Penalties are imposed on those involved in the violation,

department serve as members of the Compliance Committee to ensure prudent examination while assuring the fairness of internal investigations. Each member is required to maintain strict confidentiality, and to operate the system so that reporters and investigators are not treated detrimentally. In this manner, internal investigations are carefully conducted. Numerous interviews are held with both internal and external parties, and attorneys attend any cases requiring their expertise.

and adequate penalties are imposed in the case of serious violations after examination by the Disciplinary Committee. In addition, the fundamental causes that brought about the violation are also studied to formulate effective measures for preventing recurrence.

Risk Management

The ULVAC Group has developed an organization that facilitates prompt and appropriate action against increasingly complex and diverse risk factors, through a process of identification, classification, analysis, and evaluation. By linking the risk management system to strategic business administration, we seek to achieve even greater corporate value.

Creating a Risk Management System

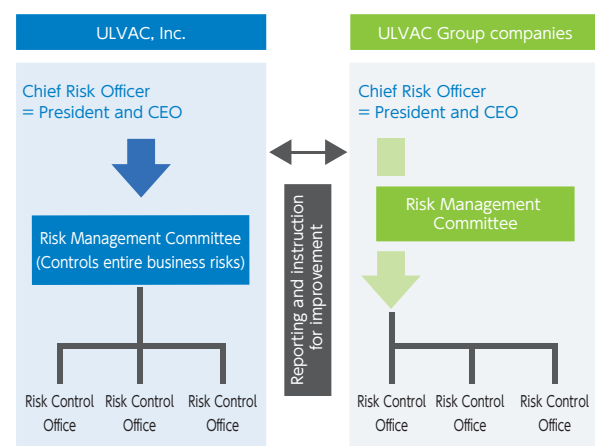
The ULVAC Group believes that expanding the risk management system is a critical business task. Thus, we have established the ULVAC Risk Management Policy to ensure that there are common rules across the ULVAC Group. The President of each group

company assumes the position of Chief Risk Officer and shares risk information with related departments. Important information is promptly conveyed from the President of each group company to the President of ULVAC, Inc.

ULVAC Risk Management System

ULVAC has classified a wide range of risks, and has set up departments responsible for each of them. Each department functions as an information center that works with related departments to identify and evaluate all specific risks. In addition, the responsible departments constantly collect risk information, respond appropriately to risks and detect issues. For risk information deemed to be important in the evaluation process, we continually collect information to enable prompt responses to emergencies. A Risk Management Committee, chaired by the President and comprised of the departments responsible for the risks, has also been established to verify the risk management system. As the supervising organization for risk management, the Committee meets twice a year to set out basic policies and improve the management and operation.

■ Risk Management System



- Risk management activities are implemented by the responsible departments through the PDCA processes.
- Each group company decides upon the necessity of establishing its Risk Management Committee in consideration of its size and other factors.

Board of Directors and Auditors

■ Directors



Hisaharu Obinata
President and Chief Executive Officer



Akinori Bo
Director and Senior Executive Officer



Mitsuru Motoyoshi
Director and Managing Executive Officer



Masasuke Matsudai
Director and Managing Executive Officer



Hideyuki Odagi
Director and Executive Officer



Akira Mihayashi
External Director



Syuzo Ikeda
External Director

■ Auditors



Hironobu Machidori
Auditor



Seiichi Takahashi
Auditor

Executive Officers



Shizuo Nakamura
Managing Executive Officer



Setsuo Iwashita
Managing Executive Officer



Hiroyuki Hirano
Executive Officer



Takao Nakamura
Executive Officer



Dr. Kazuya Saito
Executive Officer



Dr. Paik Choong Ryul
Executive Officer



Akira Umeda
Executive Officer



Ryou Matsumoto
Executive Officer



Senshu Asada
External Auditor



Kazumi Ohtsuka
External Auditor

Financial Highlights

Millions of yen (except per share amounts) Thousands of U.S. dollars
(except per share amounts)

FOR THE YEAR DATA	2010.06	2011.06	2012.06	2013.06	2014.06	2014.06
Orders received	221,705	235,932	152,221	166,778	169,808	1,676,288
Net sales	221,804	232,040	196,804	163,351	173,878	171,639
Operating income (loss)	4,809	1,850	(6,384)	6,115	11,996	118,421
Income (loss) before income taxes	4,558	(9,192)	(33,704)	(565)	15,137	149,427
Net income (loss)	2,138	(8,706)	(49,984)	(3,807)	11,538	113,899
Capital expenditures	11,087	17,827	12,719	6,761	6,217	61,372
Depreciation	11,949	10,717	9,096	7,967	7,421	73,258
R&D costs	8,005	8,255	7,088	4,989	5,213	51,461

YEAR-END DATA

Total assets	313,784	313,616	249,651	243,289	230,791	2,278,292
Net assets/Shareholders' equity	102,504	92,023	41,187	59,436	72,238	713,110
Number of employees	7,169	7,878	6,981	6,579	5,971	

(Yen)

(U.S. dollars)

PER SHARE DATA

Net assets	1,992.06	1,787.51	751.00	806.38	1,040.23	10,289
Net income (loss)						
—Basic	46.60	(176.43)	(1,012.94)	(87.79)	223.18	2,203
—Diluted	42.65	—	—	—	165.6	1,635
Cash dividends	21.00	—	—	—	—	—

(%)

OTHER INFORMATION

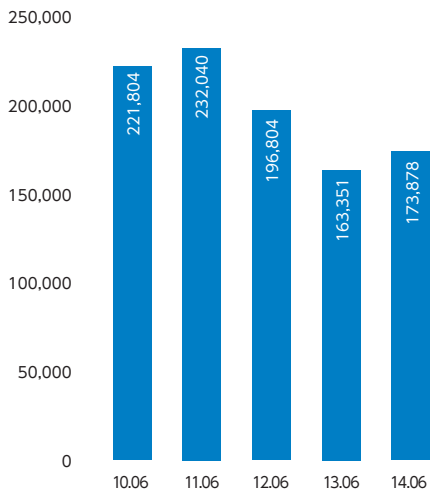
Net income / Average total assets (ROA)	0.7	—	—	—	4.9	4.9
Net income / Average shareholders' equity (ROE)	2.3	—	—	—	18.8	18.8
Shareholders' equity ratio	31.3	28.1	14.8	22.7	29.2	29.2

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on June 30, 2014, which was U.S. \$1 = ¥101.30.

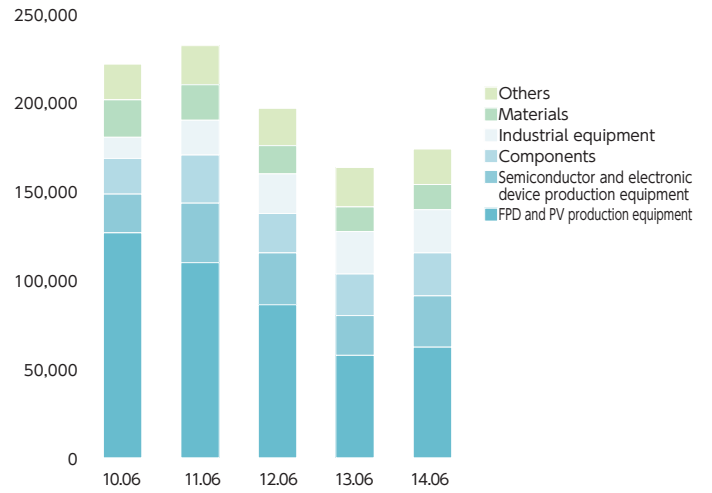
Disclaimer regarding forward-looking statements

Forward-looking statements of the company in this report are based on information available at the time these documents were prepared. ULVAC's customers in the flat-panel display (FPD), solar cells, semiconductor, and electronic parts industries face the challenge of the rapid pace of technological advances and fierce competition. Consequently, actual earnings may vary substantially from the projections included in this report due to a number of factors that could cause, directly or indirectly, performance to fluctuate. The factors that could cause results to differ materially from the statements herein include the world economy; fluctuations in the exchange rate; market conditions for flat-panel displays, semiconductors, and electric devices; and trends in capital investments.

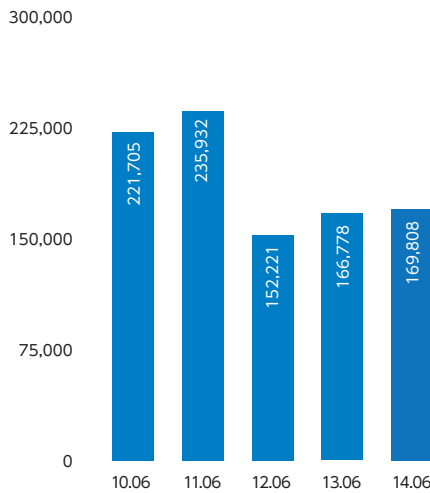
Net sales (Millions of yen)



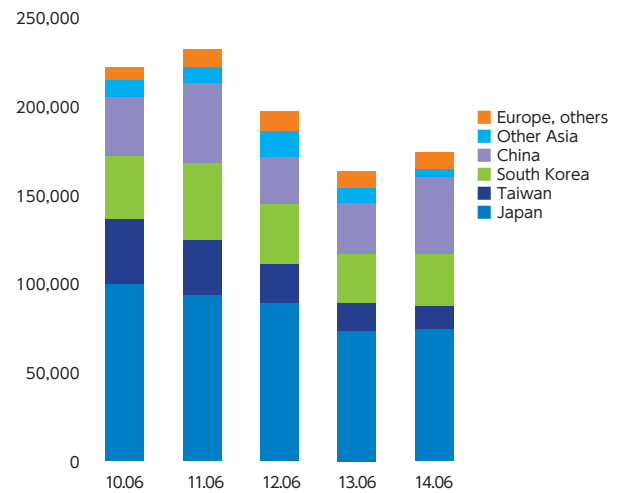
Net sales by business segment (Millions of yen)



Orders received (Millions of yen)

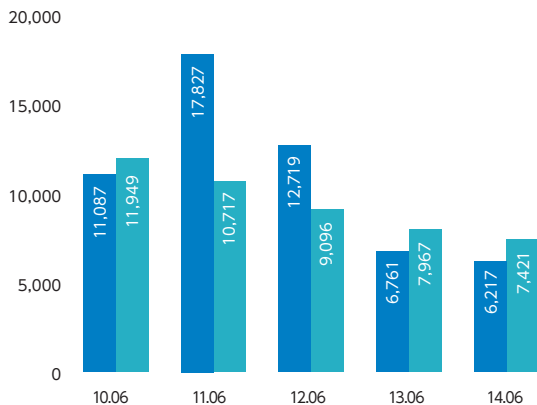


Net sales by region (Millions of yen)

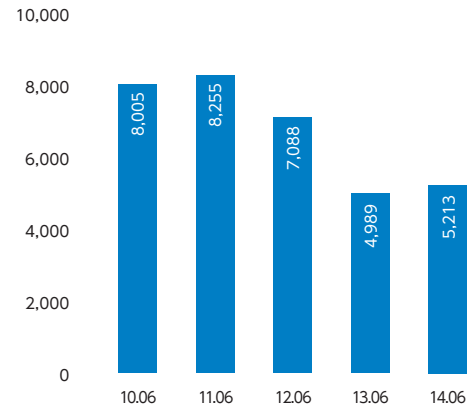


Capital expenditures/Depreciation (Millions of yen)

Capital expenditures Depreciation



R&D costs (Millions of yen)



Analysis of Business Results

□ Business results for the current fiscal year

During the fiscal year ended June 30, 2014, the Japanese economy continued a gradual recovery as seen in the improvement of corporate earnings and employment conditions backed by the effects of fiscal and monetary policies of the Japanese government, as well as the correction of the yen appreciation. In the United States, the gradual economic recovery has been solidifying, chiefly led by private demand including the strong personal consumption and signs of pickup in capital investment and housing starts. In Europe, although unemployment rate remained high, it was on a downward trend to show the signs of recovery. The Chinese economy continued stable growth, as seen in the steady growth of personal consumption, but its pace has slowed down.

Regarding the market environment surrounding the ULVAC Group, in the flat panel display (FPD) industry, the stagnant TV market led to cautious moves toward capital expenditures related to large LCD TVs at the beginning of the year under review. In the second half, however, the movement resumed, especially in China. Strong capital expenditures were seen for small to medium-sized LCDs for mobile devices, such as smartphones and tablet PCs. In the semiconductor market, the growing demand for

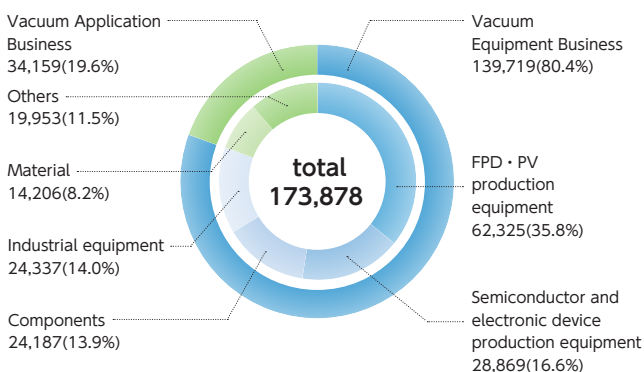
mobile devices and servers led to favorable capital expenditures in mobile DRAMs and NAND flash memories. In the automobile market, strong sales of eco-friendly cars and others brought about steady capital expenditures in automobile parts, including car electronics products.

In term of pricing, we faced the sustained requests for price reduction from customers and severe price competition with other manufacturers of production equipment.

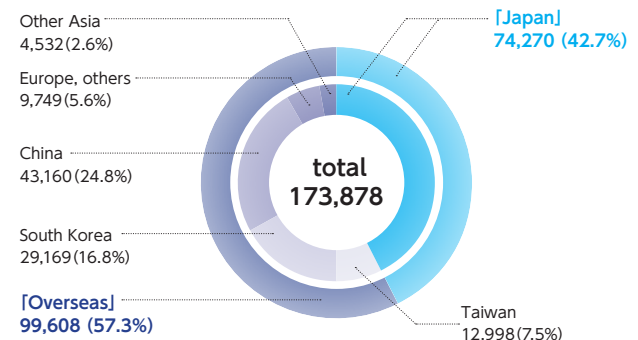
In these conditions, the ULVAC Group has pursued the development of businesses in line with the medium-term management plan established last year.

As a result, regarding the consolidated performance for the fiscal year ended June 30, 2014, orders received increased by 3,030 million yen, or 1.8% year on year, to 169,808 million yen, and net sales advanced by 10,527 million yen, or 6.4%, to 173,878 million yen. For consolidated profit and loss, operating profit rose by 5,880 million yen, or 96.2%, to 11,996 million yen, ordinary profit soared by 7,119 million yen, or 113.6%, to 13,384 million yen. As a result, net income amounted to 11,538 million yen compared with a net loss of 3,807 million yen recorded for the previous fiscal year.

■ Net sales by business segment (Millions of yen)



■ Net sales by region (Millions of yen)



Vacuum Equipment Business

The operating results of the vacuum equipment business by market segment are as follows:

■ FPD production equipment and PV production equipment

In the FPD-related market segment, orders received declined from the previous year, although orders received for production equipment for small to medium-sized LCDs for Japan and South Korea and production equipment for large-sized LCDs for Taiwan and China contributed to the

result. Meanwhile, net sales increased owing to favorable sales of production equipment for small to medium-sized LCDs for Japan, China and South Korea, and large-sized displays and organic electroluminescence (EL) production equipment for China.

■ Semiconductor and electronic device production equipment

Both orders received and net sales achieved year-on-year increases, chiefly due to the good business results of sputtering equipment and native oxide film removing equipment for mobile DRAMs and NAND flash memories

in the semiconductor-related market segment, and sputtering equipment for high-performance devices, such as power semiconductors and mobile devices, in the electronic device-related market segment.

■ Components

In the component-related market segment, orders received declined year on year due to the sluggish moves in the second half. However, net sales increased from the previous year, partly due to the active capital expenditures related to semiconductors, electronic parts and automobiles.

■ Industrial equipment

In the industrial equipment-related market segment, both orders received and net sales increased, primarily due to the good performance of vacuum heat treatment furnaces for automobile parts and high-performance magnets, helium leak test systems and medical-use vacuum freeze drying equipment.

Vacuum Application Business

The operating results of the vacuum application business by market segment are as follows:

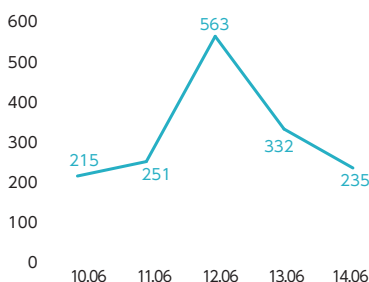
■ Materials

Although orders received of the material-related segment declined year on year chiefly due to the restructuring of unprofitable businesses, net sales increased slightly from the previous fiscal year, centering on sputtering target materials.

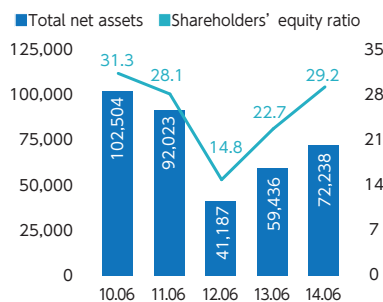
■ Others

The mask blanks business remained steady, supported by favorable markets for smartphones and tablet PCs. The analysis devices business performed well, centering on those for private-sector companies in Japan.

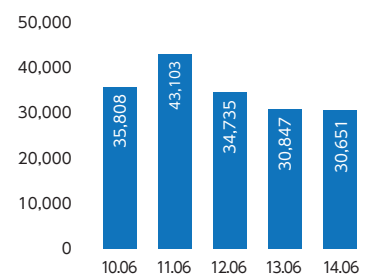
■ Debt ratio (%)



■ Total net assets (Millions of yen) / Shareholders' equity ratio (%)



■ SG&A expenses (Millions of yen)



□ Analysis of Financial Position

1 Assets, liabilities and net assets at fiscal year-end

● Assets

Total assets decreased by 12,499 million yen compared with the end of the previous fiscal year. This decrease was attributable to decreases of 13,185 million yen in notes and accounts receivable, trade, and 9,575 million yen in inventories, which were partly offset by an increase of 13,067 million yen in cash on hand in banks.

● Liabilities

Total liabilities decreased by 25,301 million yen compared with the end of the previous fiscal year, chiefly owing to decreases of 13,508 million yen in short-term borrowings, 4,087 million yen in advances received, 2,680 million yen in provision for loss on contract and 2,994 million yen in long-term debt.

● Net assets

Total net assets increased by 12,802 million yen compared with the end of the previous fiscal year. This increase was primarily attributable to an increase of 11,476 million yen in retained earnings.

2 Cash flows

● Cash flows from operating activities

Net cash provided by operating activities amounted to 32,213 million yen, reflecting positive factors such as income before income taxes and minority interests, depreciation and amortization, a decrease in accounts receivable, trade, a decrease in inventories and an increase in accounts payable, trade, as well as negative factors such as a decrease in advances received and a decrease in provision for loss on contract.

● Cash flows from investing activities

Net cash used in investing activities amounted to 3,023 million yen, chiefly due to the payments for acquisition of tangible and intangible fixed assets.

● Cash flows from financing activities

Net cash used in financing activities amounted to 16,881 million yen, primarily arising from a decrease in short-term borrowings and a decrease in long-term debt.

As a result, consolidated cash and cash equivalents were 57,012 million yen at the end of the current fiscal year, up 12,808 million yen from the end of the previous fiscal year.

□ Business and Other Risks

Major potential factors that could influence business performance and the financial position of the ULVAC Group are as follows.

1 Fluctuations in the Markets for FPDs, Semiconductors and Electronic Parts

The ULVAC Group has grown by developing proprietary technologies for vacuum equipment used in the manufacturing process of FPDs, semiconductors and electronic components, and by marketing such devices, which has allowed us to build market shares in these fields. These products account for about 50% of our consolidated net sales and have become the mainstay of the Group. However, any large reduction in capital expenditures by manufacturers of FPDs, semiconductors and electronic parts, our corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

2 Influence of Research and Development

Based on sustained proactive investment in research and development, the ULVAC Group has consistently brought new products to market using cutting-edge technologies. However, if it becomes extremely difficult to achieve the development that meets the requirements indispensable for the commercialization of new products or such development is markedly delayed in comparison with the envisioned plans, our business results and financial position could be affected adversely.

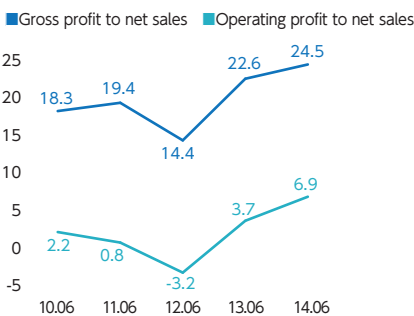
3 Influence on Pricing Competition

Although in the FPD industry—ULVAC's principal customer—demand for digital home appliances remains robust, there is constant pressure from the customer side to lower prices. In addition, new competitors are emerging in South Korea, Taiwan and China, further intensifying sales competition. These factors, combined with higher costs caused by surging prices for raw materials and goods purchased, could affect our business results and financial position.

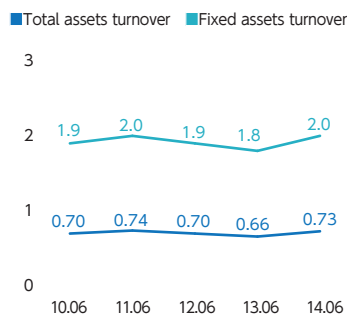
4 Influence of Increased Overseas Sales

The overseas net sales ratio of the ULVAC Group is high, with South Korea, Taiwan, China and other economies, particularly in the Asian region, occupying larger shares. To avoid currency exchange risks, transactions by ULVAC are, as a rule, denominated in yen. However, in the context of sales to the Asian region at a time of yen appreciation, the Group is placed at a disadvantage in its price competitiveness relative to overseas manufacturers in yen-denominated transactions. If ULVAC conducts an exceptional foreign-currency-denominated transaction, sudden exchange rate fluctuations might cause losses in the exchange. The aforementioned factors could negatively affect our business results and financial position.

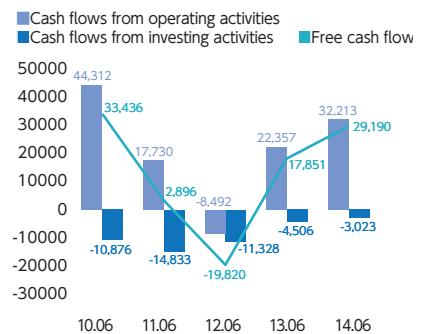
■ Gross profit to net sales (%) / Operating profit to net sales (%)



■ Total assets turnover (Times) / Fixed assets turnover (Times)



■ Cash flows (Millions of yen)



5 Influence of Global Business Development

To secure market share in China, a prospective future growth market, the Group has proactively advanced into China and is pursuing business initiatives through locally incorporated subsidiaries. Although arrangements have been put into place at locally incorporated subsidiaries for gauging business conditions and taking corrective actions when needed, risks such as various restrictions and/or changes in tax/exchange rate systems due to unforeseeable changes in legal systems, political instability, business fluctuations and an outflow of personnel could affect our business results and financial position.

6 Influence of Quality Assurance Efforts

The Group has installed quality assurance systems, acquired ISO9001 certification and has been providing services with a high level of customer satisfaction. As ULVAC continually provides products with leading-edge technologies, there are numerous development elements that could lead to a situation in which ULVAC has to collect and repair products free of charge due to some unforeseeable defect; this could affect our business results and financial position.

7 Influence of Intellectual Property Rights

The Group owns numerous patents related to various types of vacuum systems and proactively aims to acquire intellectual property rights. Moreover, ULVAC examines the patents of third parties concerning such products. However, unforeseeable litigation brought by a third party for a breach of patent rights might pose risks that could negatively affect our business results and financial position.

8 Impact on Financing

A financial covenant may often be incorporated into some of the loan agreements that the Group has entered into with financial institutions. Any violation of such financial covenants might negatively influence our business results and financial position.

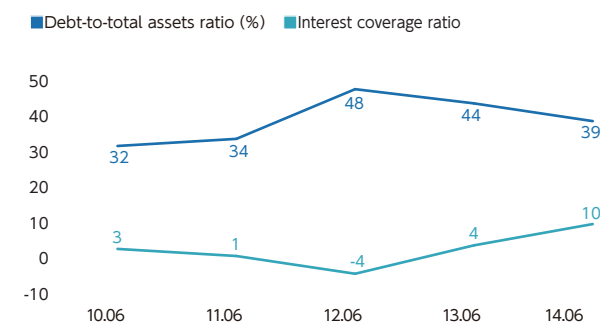
9 Litigation-Related Risk

There is a risk in which the Group might be targeted in any lawsuits in Japan and overseas with regard to the businesses in which the Group engages. An important lawsuit filed against any of the Group companies could negatively affect our business results and financial position.

10 Other Risks

As applicable to companies that engage in global operations or in a wide range of business areas, the Group's business results and financial position could be negatively affected by global and local economic climates, or any event of force majeure, such as natural disasters, acts of war or terrorism, or infectious diseases.

● Debt-to-total assets ratio (%) Interest coverage ratio (Times)



Stock Information (As of June 30, 2014)

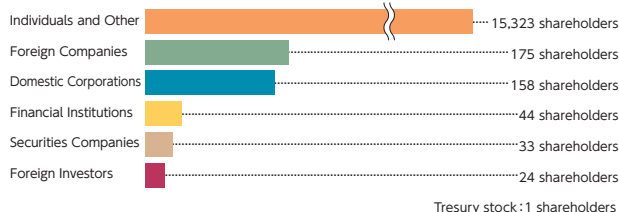
□ Total number of stocks authorized	Common stock..... 100,000,000 Class A classified stock 1,500 Class B classified stock 37,500
□ Total number of stocks issued	Common stock..... 49,355,938 Class A classified stock 1,500
□ Total number of shareholders	Common stock..... 15,758 Class A classified stock 1

Major Shareholders (Common Stock)

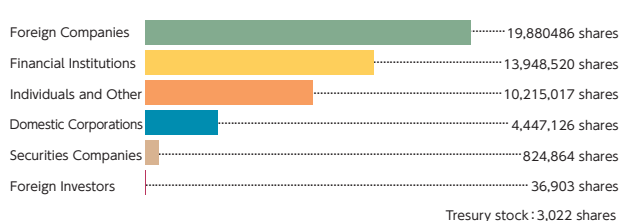
Shareholder's name	Number of shares (thousands)	(%)
TAIYO FUND, L.P.	8,242	16.7
Nippon Life Insurance Company	3,242	6.57
Mizuho Bank, Ltd.	1,916	3.88
Sumitomo Mitsui Banking Corporation	1,864	3.78
TAIYO HANEI FUND, L. P.	1,154	2.34
Japan Trustee Services Bank, Ltd.(Trust account)	1,117	2.26
The Master Trust Bank of Japan, Ltd.(Trust account)	984	1.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	910	1.84
Association of Employee Shareholders of ULVAC	904	1.83
Inabata & Co., Ltd.	795	1.61

Note: Stock ownership ratio is calculated by the number of treasury stocks (3,022 stocks)

Number of Shareholders (Common Stock) total : 15,758 shareholders



Number of Shares Held (Common Stock) total : 49,355,938 shares



ULVAC

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