

Corporate Governance

Basic corporate governance policy and structure

In accordance with its 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," ULVAC, Inc. works to ensure thorough corporate governance in order to increase corporate value over the medium to long term. From this perspective, we respect the interests not only of shareholders, but also of business partners, local communities, employees, and other stakeholders that are related to our business activities. We also value competitive and efficient operation, while ensuring strict compliance with laws and corporate ethics.

ULVAC, Inc. has adopted a company with a board of corporate auditors as its management structure. Particularly important institutional structures include the Board of Directors, the Board of Executive Officers, the Board of Corporate Auditors, and the Committee for Appointment and Remuneration, etc.

Firstly, ULVAC, Inc. has a Board of Directors, which is a decision-making body for important management issues. The Board holds regular meetings once a month, as well as ad hoc meetings as necessary to ensure flexibility. The Board of Directors comprises nine members, of whom four are external directors. Three of the external directors are designated as independent external directors. By virtue of this structure, ULVAC, Inc. is not only able to make swift and efficient judgments concerning important management issues, but is also able to achieve fair, impartial, and highly transparent deliberation, as well as operational supervision.

Next, with the introduction of an executive officer system, executive officers exercise executive functions, having been granted a certain amount of responsibility and authority over their designated areas, through delegation by the Board of Directors. ULVAC, Inc. also has a Board of Executive Officers that comprises a total of 15 internal directors and executive officers. The Board of Executive Officers holds regular meetings once a month, as well as ad hoc meetings as necessary.

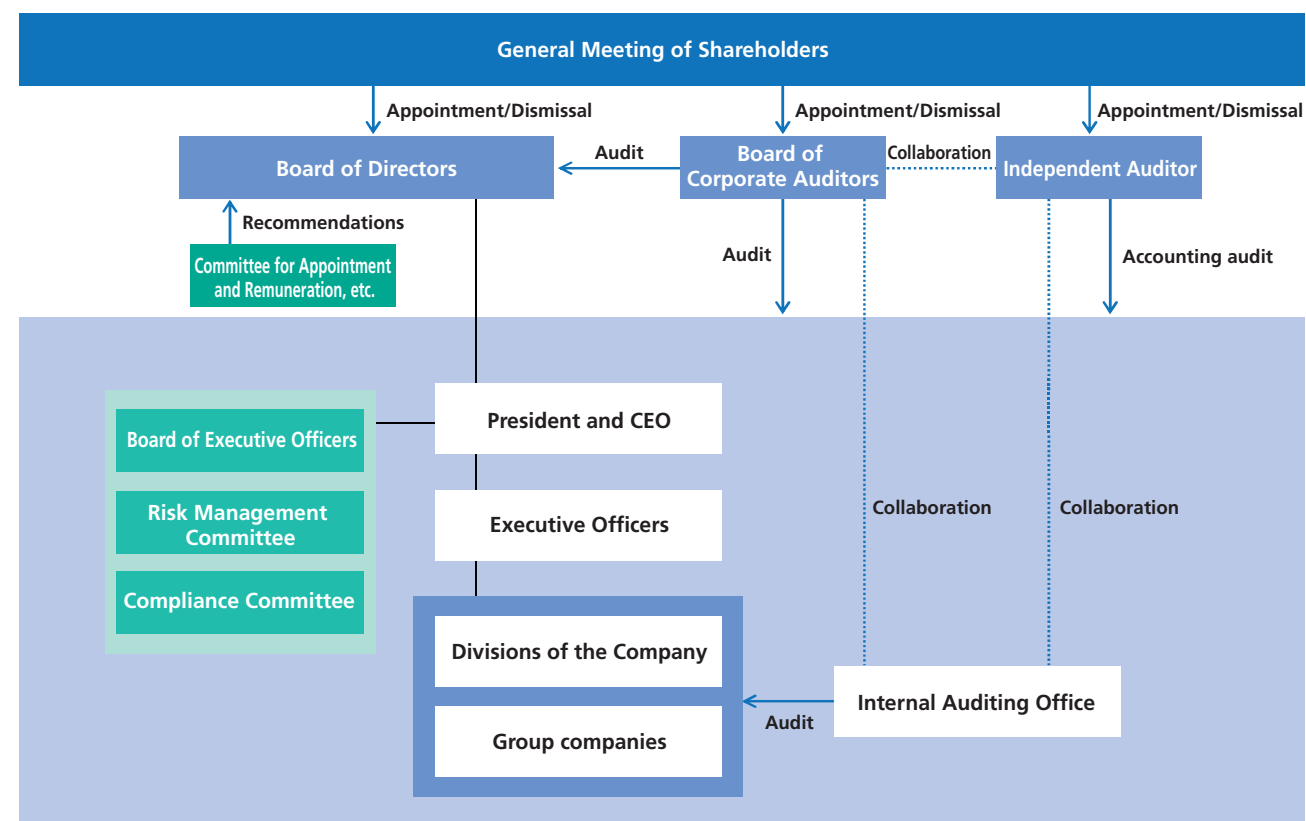
By virtue of this structure, we have achieved more flexible and swifter business operations that are appropriate for a rapidly changing business environment, based on a clear expression of the responsibilities and authority of each executive officer.

In addition, ULVAC, Inc. has a Board of Corporate Auditors, which performs auditing and supervision of management decision-making and business operations. The Board of Corporate Auditors comprises four members, of whom two are external auditors. Both of the external auditors are designated as independent external auditors. We ensure full auditing and supervisory functions through close links between auditors and the Internal Auditing Office and the independent auditor, whose independence is ensured, as well as through attendance and comments by auditors at important meetings, such as meetings of the Board of Directors and the Board of Executive Officers, and through regular meetings between the Internal Auditing Office and the President, etc. By virtue of this structure, we have achieved rigorous, fair, impartial, and transparent auditing and supervisory functions, ensuring that each auditor obtains sufficient information.

Furthermore, we have a Committee for Appointment and Remuneration, etc. for instances that require objective determination of important matters, such as the appointment and remuneration of directors and executive officers. The Committee for Appointment and Remuneration, etc. comprises seven members, of whom five are independent external directors or independent external auditors. Of the remaining two members, one is an external director. By having these kinds of advisory bodies for the Board of Directors, we are able to achieve fair, impartial, and highly transparent deliberations with regard to especially important management decisions, and increase the effectiveness of the Board of Directors.

Members of the Board of Directors, the Board of Corporate Auditors, the Board of Executive Officers, the Committee for Appointment and Remuneration, etc. are indicated in the list below.

Corporate Governance Structure (As of September 30, 2019)



Title	Name	Board of Directors	Board of Corporate Auditors	Board of Executive Officers (Note)	Committee for Appointment and Remuneration, etc.
President and Chief Executive Officer	Setsuo Iwashita	●		●	●
Director and Executive Vice President	Mitsuru Motoyoshi	●		●	
Director and Senior Managing Executive Officer	Masasuke Matsudai	●		●	
Director and Managing Executive Officer	Dr. Choong Ryul Paik	●		●	
Director and Executive Officer	Sadao Aoki	●		●	
External Director	Akira Mihayashi	●			●
External Director	Norio Uchida	●			●
External Director	Dr. Kozo Ishida	●			●
External Director	Yoshimi Nakajima	●			●
Auditor	Makoto Ito	●	●	●	
Auditor	Mitsuru Yahagi	●	●	●	
External Auditor	Senshu Asada	●	●		●
External Auditor	Isao Utsunomiya	●	●		●

● Chairman ● Observer

Note: The Board of Executive Officers also comprises executive officers in addition to the above.

Corporate Governance

Directors’ remuneration

In order to ensure management transparency, fairness, and appropriateness of remuneration, etc., ULVAC, Inc. has the Committee for Appointment and Remuneration, etc. consisting of external directors, external auditors, and the chairman of the Board of Directors. The Committee for Appointment and Remuneration, etc. analyzes and compares levels of remuneration of other companies, and then provides advice about remuneration, etc. suitable for ULVAC, Inc. Following the recommendations by the Committee for Appointment and Remuneration, etc., amounts of remuneration, etc. of directors are determined by a resolution of the Board of Directors within the total amount of directors’ remuneration approved by the resolution* of the general meeting of shareholders. External directors’ remuneration consists only of basic compensation, which is fixed compensation.

A performance-linked compensation plan is adopted for part of internal directors’ remuneration, etc. Performance-linked compensation consists of annual performance-linked compensation based on business results for the corresponding fiscal year and stock-based compensation, etc. based on a performance-linked stock-based compensation plan called Board Benefit Trust (BBT), which corresponds to the degree of achievement of annual performance targets. Evaluation of individual directors, which will be reflected in the annual performance-linked compensation, is performed and the result is determined after reporting to the Committee for Appointment and Remuneration, etc.

Under the BBT system, the Company’s shares are purchased through a trust using the money contributed by the Company and are allocated to the directors in accordance with the Rules for Granting Shares to Officers set out by the Company. In principle, directors are granted the Company’s shares and money equivalent to the fair value of the Company’s shares at the date of retirement through the trust.

As annual performance-linked compensation is based on business results for each fiscal year, the Company does not have a policy as to its specific ratio to the basic compensation, which is fixed compensation.

*The maximum amount of aggregate remuneration for directors was set at ¥500 million per annum (including a maximum of ¥60 million for external directors) by resolution at the 114th Ordinary General Meeting of Shareholders held on September 27, 2018. The maximum amount of aggregate remuneration for auditors was set at ¥100 million per annum by resolution at the 102nd Ordinary General Meeting of Shareholders held on September 28, 2006. Moreover, Board Benefit Trust (BBT) was introduced, separately from the above-mentioned maximum amount of aggregate remuneration for directors (excluding external directors), by resolution at the 112th Ordinary General Meeting of Shareholders held on September 29, 2016.

Evaluation of effectiveness of the Board of Directors

For the purpose of enhancing functions of the Board of Directors and thus enhancing corporate value, at ULVAC, Inc. an annual self-assessment survey of directors and auditors is conducted concerning the effectiveness of the Board of Directors.

Anonymity is secured as directors and auditors provide their responses to the survey directly to an external institution. Based on the external institution’s report on the survey results, the Board of Directors of ULVAC, Inc. conducts analysis and evaluation.

As a result of analysis and evaluation about the effectiveness of the Company’s Board of Directors for fiscal 2018, it is judged that effectiveness of the Company’s Board of Directors is secured. However, in view of proposals for further enhancement of the effectiveness of the Board of Directors that have been submitted by members of the Board of Directors, we will continue to strive to enhance the effectiveness of the Board of Directors.

Policy on selection of external directors and auditors

In order to enhance the effectiveness of the Board of Directors by realizing multifaceted discussion at meetings of the Board of Directors, balance among knowledge, experience, capabilities, etc., diversity, and appropriateness of the size are taken into consideration regarding the composition of the Board of Directors. Based on these perspectives, the Board of Directors carefully selects director candidates. Regarding attendance at the meetings of the Board of Directors, efforts are made to ensure an appropriate number from the viewpoint of ensuring swift decision-making.

Name of external director/auditor	Reasons for selection as an external director/auditor	Attendance and principal activities
Akira Mihayashi	To receive valuable opinions based on his extensive experience and broad perspective as a corporate manager of other companies	Attended all 14 meetings of the Board of Directors held during the fiscal year and provided opinions for deliberation of the agenda as necessary, based on his extensive experience and advanced insight as a corporate manager of other companies.
Norio Uchida	To receive valuable opinions based on his extensive experience and broad perspective as a corporate manager of other companies in Japan and overseas	Attended all 14 meetings of the Board of Directors held during the fiscal year and provided opinions for deliberation of the agenda as necessary, based on his extensive experience and advanced insight in Japan and overseas as a corporate manager of other companies.
Dr. Kozo Ishida	To receive valuable opinions based on his extensive experience, technical expertise and broad perspective as a corporate manager of other companies	Attended all 14 meetings of the Board of Directors held during the fiscal year and provided opinions for deliberation of the agenda as necessary, based on his extensive experience and technical expertise as a corporate manager of other companies.
Yoshimi Nakajima	To receive valuable opinions based on her extensive experience and broad perspective as a corporate manager of other companies both in Japan and overseas	Attended all 11 meetings of the Board of Directors held after taking office on September 27, 2018 and provided opinions for deliberation of the agenda as necessary, based on her extensive experience and advanced insight as a corporate manager of other companies both in Japan and overseas.
Senshu Asada	To receive valuable opinions based on his experience and insight as an attorney	Attended all 14 meetings of the Board of Directors and all 19 meetings of the Board of Corporate Auditors held during the fiscal year and provided opinions for deliberation of the agenda as necessary, mainly from a specialist perspective as an attorney.
Isao Utsunomiya	To receive valuable opinions based on his experience and insight as a certified public tax accountant	Attended all 14 meetings of the Board of Directors and all 19 meetings of the Board of Corporate Auditors held during the fiscal year and provided opinions for deliberation of the agenda as necessary, mainly from a specialist perspective as a certified public tax accountant.

Policy on training of directors and auditors

ULVAC, Inc. provides its directors and auditors with opportunities for training deemed necessary in order for them to fulfill their roles and responsibilities.

Specifically, training for newly appointed external directors includes explanation of ULVAC’s organizational structure, businesses, and the management plan and visits to ULVAC plants. Moreover, visits to principal subsidiaries and plants in Japan and overseas are regularly organized.

For newly appointed auditors, ULVAC, Inc. provides training opportunities on a par with those for newly appointed directors upon the request of auditors. After they take office as directors and auditors, ULVAC, Inc. provides them with financial support for training deemed necessary in order for them to fulfill their duties and encourages them to enhance their expertise. These training opportunities are reviewed on a continuous basis and updated as necessary.

Policy on strategic shareholdings

ULVAC, Inc. makes distinction between investment shares held for pure investment purposes and those held for purposes other than pure investment purposes. We classify shares held for the purpose of receiving gains from changes in the share value or from dividend income as shares held for pure investment purposes and shares held for other purposes (strategic shareholding) as shares held for purposes other than pure investment purposes.

ULVAC, Inc. may acquire shares of a listed company with which it has transactions only when it is judged that maintaining and strengthening the business relationship with the entity by acquiring its shares contributes to ULVAC’s sustainable growth and enhancement of corporate value over the medium to long term.

Regarding strategic shareholdings, an annual assessment is conducted on whether or not to hold each individual strategic shareholding, examining whether the purpose is appropriate in terms of the benefits and risks from each holding or the Company’s cost of capital, and the results of this assessment are reported at a meeting of the Board of Directors. If, as a result of the assessment, it is judged that the holding of certain shares has little significance, the Company considers reduction of the shareholding of such shares.