

ULVAC
VALUE REPORT
2023

ULVAC

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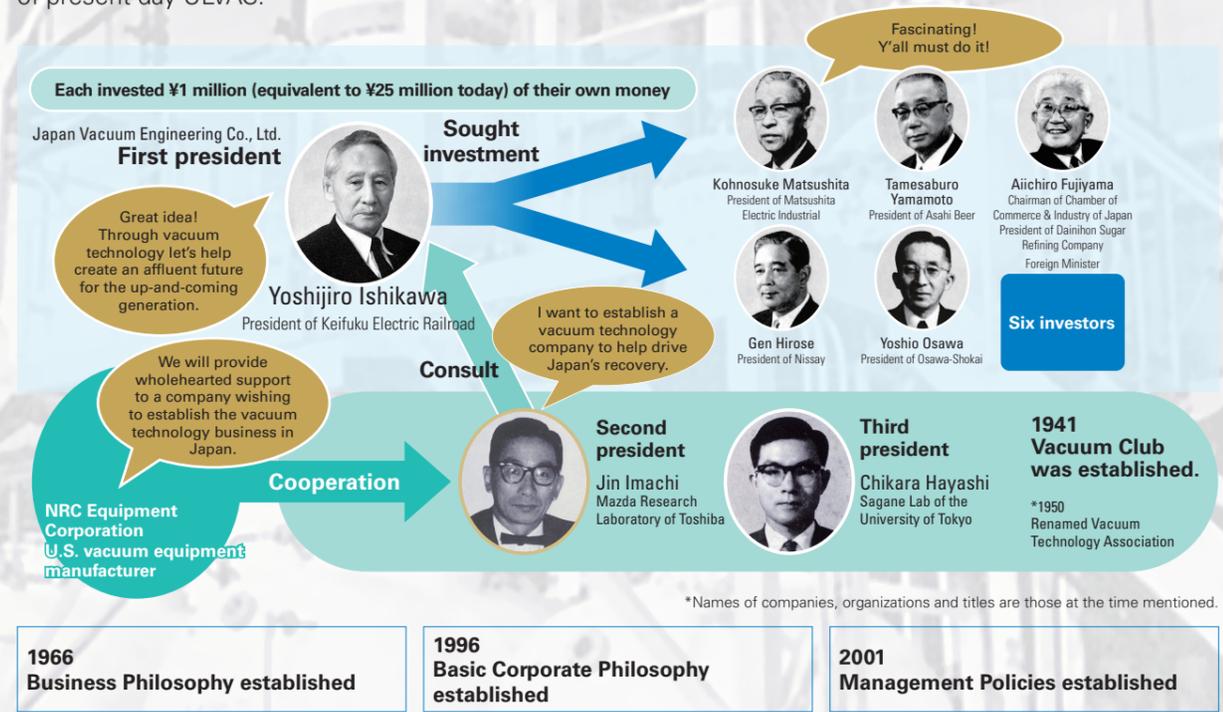
ULTIMATE
IN VACUUM

Inherited ULVAC-Style

The essence of ULVAC's Business Philosophy established in 1966 remains unchanged even in an era of dynamic change. It is our responsibility to transmit our founder's aspirations to the present generation, passing the baton from one generation to the next far into the future.

Start of a Journey with Aspirations to Contribute to Industry through Vacuum Technology

Amid Japan's post-war recovery, a group of talented young researchers and engineers led by Jin Imachi (Second president of the Company) gathered with the aim of "contributing to the revival of Japanese industry through vacuum technology." In 1952 six angel investors, impressed by the passion of these visionary young people, invested in the establishment of Japan Vacuum Engineering Co., Ltd., the forerunner of present-day ULVAC.



Evolution of the Business Philosophy

Japan Vacuum Engineering Co.,Ltd. (which later became known as ULVAC) established the Business Philosophy consisting of six articles (later seven articles) in July 1966, the 15th anniversary of its founding. It codified the philosophy that had been at the heart of ULVAC's management as an unwritten rule since its founding, and this philosophy was inculcated throughout management and employees, becoming ULVAC's corporate DNA.

Subsequently, in line with the change of the business environment, including globalization, ULVAC established the Basic Corporate Philosophy in 1996 to articulate ULVAC's purpose, that is, proposing the creation of extraordinary value to customers through its business in the quest to realize the remarkable potential inherent in vacuum technology. Then, in order to clarify the thrust of the ULVAC Group, which offers not only vacuum equipment but also materials and solutions, including analysis and services, ULVAC set five Management Policies in 2001. In April 2004, ULVAC shares were listed on the First Section of the Tokyo Stock Exchange.

The Business Philosophy has been inherited by successive generations. In 2021 ULVAC announced Our Goal for 2050, reflecting the spirit of the Business Philosophy. In 2022, the 70th anniversary, to realize the goal, we set Vision 2032 and Four Key Issues (Materiality), thus clarifying ULVAC's direction.

70 years of contributing to the development of industry and science through vacuum technology is just one milestone in the development. The passion of our founder and all our predecessors is embodied in our Business Philosophy, burning brighter than ever.

Business Philosophy

1. Our company's life is eternal.
2. Our company can thrive through its people and can face ruin through its people.
3. Our company pursues profits.
4. Our company is a public instruments.
5. Our company continues to exist solely because of our customers.
6. Our company value time.
7. Our company's business is the promotion of comprehensive use of vacuum technology is our business.

Vacuum Technology, ULVAC's Core Competence

Stated simply, a vacuum is a space where the pressure is lower than the atmospheric pressure. A vacuum has fascinating properties: for example, materials' lower boiling points in a vacuum mean they are more likely to evaporate and gas molecules can travel in a straight line in a space. ULVAC has developed various application technologies that exploit the properties of a vacuum in its quest to realize the remarkable potential inherent in vacuum technology. 'ULVAC' is a combination of 'UL' from 'ultimate' and 'VAC' from 'vacuum,' signifying that we pursue the 'Ultimate in Vacuum Technology.'

For example, using vacuum technology, it is possible to create ultrathin films with micron-to nanometer-order thickness. Since such thin films cannot be produced by physically stretching materials, advanced vacuum thin film processing technology is required for depositing layers of atoms or molecules of materials in a vacuum.

Led by IoT, 5G, and AI, a tremendous wave of technological innovation is making the digital society an everyday reality. Vacuum thin film processing technology is destined to fulfill a vital role for the fundamental technologies underpinning the digital society.

ULVAC has been pursuing innovation as a leader in vacuum technology, which is indispensable for industrial development. We continue to boldly take on challenges to resolve social issues for our customers and the world. Our management philosophy is people-centered. We are emphasizing human resources development, upholding our founding principles of faithfulness and integrity that have guided us since our inception. For business stability and growth, it is essential to secure reasonable profits, develop technologies, and cultivate relationships of trust with stakeholders. Positioning "creation and co-creation of innovation with vacuum technology as the core" at the heart of our management, we are pursuing the potential of vacuum technology, anticipating changes in an era in which the business environment is rapidly evolving, and exploring new business opportunities with our stakeholders. Inspired by our Vision, "Continue to Be a 'Field of Potentiality' for the Future," we aim for sustainable growth and the creation of social value.



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

- Improve Customer Satisfaction
- Innovations in Production Technology
- Development of Original Products
- Free and Open-minded Organization
- Enhancing Corporate Value

ULVAC's goal for 2050 is to become "a company that utilizes vacuum technology to create value for the world with its partners and continues to contribute to the future of people and the planet."

In an era of change, we are never satisfied with the status quo but always embrace change, pursuing cutting-edge vacuum technology together with our partners. We will contribute to the realization of a sustainable society through vacuum technology, ceaselessly striving to fulfill our social responsibilities.

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Editorial Policy
We publish the ULVAC VALUE REPORT as a summary of our initiatives in the past year to achieve sustainable growth and enhancement of corporate value, our medium- to long-term vision, and our management approach.
We consider this report to be an important communication tool to facilitate stakeholders' understanding of our activities and deepen dialogue with them.

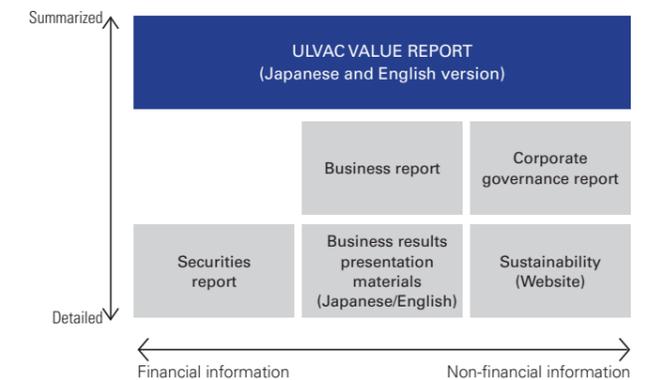
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The International Integrated Reporting Framework, the International Integrated Reporting Council (IIRC) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation (Guidance for Collaborative Value Creation), Ministry of Economy, Trade and Industry (METI) ISO 26000

Report's Scope and Period
Scope: ULVAC Group
In principle, this report covers the ULVAC Group; any portions that cover only ULVAC, Inc. are indicated as such.
Period: Year ended June 30, 2023
(July 1, 2022 to June 30, 2023, FY 2022)
Some portions of the report include activities and initiatives from July 2023 onward.

<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.

ULVAC's Communication Tools



We endeavor to achieve the optimum information disclosure by making various communication tools available to meet your needs.
To help you deepen your understanding of the ULVAC Group, our communication tools range from statutory disclosure documentation centering on information on financial closing to this report that offers non-financial information, such as on social and environmental initiatives indispensable for creating corporate value, in addition to information on business activities, management strategies, and financial information. Please also refer to our website for the latest information.

Message from Top Management



Vacuum Technology to Create Social Value and Contribute to the Future of People, Society, and the Planet

Setsuo Iwashita
President and Chief Executive Officer

Beyond epochs, inheriting the ULVAC's founding spirit Vacuum technology for value creation

ULVAC's history began in 1952 with a group of young people who were eager to contribute to the development of industry and science through the application of vacuum technology. The company started as a distributor of imported products. In its third year, the company succeeded in manufacturing vacuum heat treatment furnaces in Japan. Since then, always abreast of the changing times, ULVAC has been the source of various types of vacuum equipment, including vacuum metallurgical equipment for the heavy chemical industry, vacuum heat treatment furnaces for the automotive and home appliance industries,

and evaporation roll coaters for capacitors, as well as vacuum deposition equipment for semiconductors and electronic devices in the 1980s and vacuum deposition equipment for flat panel displays since the 1990s.

We take pride in the fact that the value we offer has contributed to the development of industry and science and the growth of our customers' businesses while also underpinning people's affluent lifestyles.

In recent years, technological innovation has been accelerating toward realization of the smart society, typified by the trend toward electrification of automobiles and autonomous driving, progress in digitalization, and advances in AI and robotics. Meanwhile, decarbonization initiatives are proliferating to address global environmental issues. All this technological innovation together with initiatives to resolve social issues has spurred demand for ever more sophisticated

semiconductor memory and logic, MEMS and sensors, electronic and power devices, batteries, etc. In this context, ULVAC is committed to meeting these needs by leveraging its vacuum thin-film processing technology, micromachining technologies, and fundamental technologies for equipment and making comprehensive use of them.

Seize changes in the business environment as opportunities to grow

In the semiconductor industry, capital investment by semiconductor manufacturers is slowing in the short term, in line with the slowing tempo of demand for smartphones, PCs, etc. However, over the medium to long term, expectations for generative AI are likely to spur semiconductor demand. Moreover, from the perspective of addressing geopolitical risks, there is ongoing planning and construction of new semiconductor plants worldwide. Vigorous investment has been continuing in the electronics industry, too. Notable examples are investment in power devices, reflecting the impact of policies promoting mass adoption of EVs with the aim of achieving carbon neutrality, digitalization for the smart society and technological innovation affecting various electronic devices, as well as investment to increase production. In the flat panel display (FPD) industry, IT panels for tablets and PCs are transitioning from LCD to OLED and investment in large-size OLED is expected to increase in the near future. In the industrial battery industry, investment in mass production of EV batteries to achieve smaller size, larger capacity and higher safety is also gaining momentum.

We intend to develop technologies that address these social issues, aiming to achieve growth through business practices that contribute to sustainability of the global environment and development of society.

Achievements and issues of the previous mid-term management plan

Basic policies of the previous mid-term management plan (covering the period from FY 2020 to FY 2022) were "investment in development for growth (selection and concentration)" and "profit oriented management through structural change." Our objective was to clarify the growth fields ULVAC should target as well as the overall direction, while concentrating management resources so as to succeed in developing technologies and products. In order to secure financial resources for development, we considered it necessary to improve the profit margin by enhancing our manufacturing capabilities.

Regarding the first policy, "investment in development for growth (selection and concentration)," led by growth drivers, including logic, power devices, and various electronic devices, orders received for FY 2022 were 1.6 times greater than in FY 2019. Net sales also grew and exceeded the initial plan. These results attest to the fact that we seized the opportunities created in recent years by social and market changes as well as by technological innovation. The entry into the metal hard mask (MHM) process related to EUV led to the application of ULVAC equipment to other semiconductor production processes. Orders received increased mainly for equipment for power devices and optical devices. We began mass production of roll-to-roll vacuum evaporation equipment used in EV battery production. These are major achievements under the previous mid-term management plan.

As for the second policy, "profit-oriented management through structural change," the key strategies were to "strengthen manufacturing capabilities" and "strengthen the management base." Specific measures included the gradual transition to a planned production structure mainly for semiconductor and power devices, etc., promotion of standardization, consolidation of subsidiaries in Japan and overseas, in addition to the development and implementation of various systems

for productivity improvement. As a result, the profit margin improved steadily until the first half of FY 2021. However, subsequently, longer parts delivery lead times mainly attributable to supply chain disruption diminished the improvement impact and the profit margin fell short of the target. Moreover, a root-cause analysis of the non-attainment of the target clarified ULVAC's internal issues. We will address these issues under the new mid-term management plan. Furthermore, regarding the strengthening of the management base, we steadily increased shareholders' equity during the period of the previous mid-term management plan and secured financial stability. Under the new mid-term management plan, we will continue our efforts to establish a more robust management base by resolving, one by one, the issues that have been clarified.

Meanwhile, in a project led by young employees, the question of what the ideal configuration of the ULVAC Group should be in 10 years' time was thoroughly discussed. The outcome of the project is Vision 2032 "Continue to Be a 'Field of Potentiality' for the Future," which was announced on the occasion of the 70th anniversary of our founding in 2022. Vision 2032 aligns and expresses the corporate culture and values inherited from ULVAC's foundation with the future. The "Field of Potentiality"



refers to a "vacuum field" with potentiality where new value may be created. The term "Field of Potentiality" also alludes to "the margin of a person's mind." An "empty space" in one's mind is a "container" that catches the thoughts of people inside and outside the company. Vision 2032 indicates our commitment to pursuing the value of vacuum technology, continuing to rise to the challenge of technological innovation, and contributing to the resolution of global issues through the innovation.

Strengthen manufacturing capabilities in the three years of the new mid-term management plan to achieve growth

We formulated the new mid-term management plan (FY 2023-FY 2025) by backcasting from Vision 2032 and in light of the issues clarified in the course of the previous mid-term management plan. Under the basic policies, "creating social value through vacuum technology" and "enhancing profit and capital efficiency-oriented management," we set priority strategies, namely, "strengthening product competitiveness in growth businesses," "improving global productivity," and "strengthening the management base," as well as specific initiatives corresponding to each priority strategy. These policies and strategies are largely a continuation of those under the previous mid-term management plan.

Various devices essential for a sustainable society cannot be produced without vacuum technology. The fields in which we can provide social value are expanding and we will continue to innovate and create value in them. To this end, we intend to enhance the competitiveness of our growth driver products and promote innovation together with our customers.

During the period of the previous mid-term management plan, we faced the problem of longer delivery lead times for procured parts. Treating this as a good opportunity to thoroughly review our conventional manufacturing systems, we recognized the

need to ensure our systems are attuned to the reality of the current times. During the period covered by the new mid-term management plan, we will continue our efforts to strengthen manufacturing capabilities so as to improve profit margins. For this purpose, we will strive to further improve global productivity by promoting planned production through implementation of measures, such as improving efficiency by reviewing business processes and introducing various information systems.

Recognizing that our policy on returning profit to shareholders is of great importance, we aim to increase dividends over the long term through further growth. On the other hand, as we operate in an industry subject to rapid market fluctuations and technological innovation, we believe it is necessary to secure sufficient funds for R&D investment in growth fields and to secure and maintain a stable financial base. Taking into consideration our policy, the financial base, and other factors, we plan to increase the performance-linked dividend payout ratio from 30% to 35% from FY 2023.

Expanding the circle of co-creation with an eye to the future

In order to fulfill Vision 2032, it is crucial for us to form an organization that can fully leverage our comprehensive capabilities in a rapidly evolving technological society. At the same time, strengthening our management foundation and increasing resilience. This aligns with ULVAC's 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."

Regarding structural changes in FY2023, we implemented two significant reorganizations. Firstly, the introduction of the HQ system, comprising seven HQs: Administration, Research & Development, Sales, Production, Equipments Business, Components Business, and CS Business. In particular, in the equipment business,

devices in various fields, in the course of their evolution, have incorporated technologies from other fields. To offer value to customers beyond traditional structures, we formed the Equipments Business HQ, to oversee the Semiconductor Equipment Division, the Advanced Electronics Equipment Division, and the FPD Division, enhancing inter-divisional collaboration and synergy.

Additionally, we established the Sustainable Management Department, directly reporting to the President. This department is responsible for monitoring and guiding global activities aligned with our Sustainability Policy, such as carbon neutrality initiatives and human rights considerations. Going forward, ULVAC will clarify the responsibilities of each organization with regard to the relationship between ULVAC's business and sustainability, evaluate performance, and share the measures globally and vigorously promote them.

With the aim of expanding the application fields of vacuum technology, we are encouraged to seek more co-creation opportunities and innovations globally, considering "what we want to achieve together" with our customers, universities, research institutes, and communities. For example, we decided to establish Technology Center PYEONGTAEK in South Korea and its construction began in March 2023. Bringing collaboration and technological support close to customers will help us cultivate fruitful partnerships with them.

Our objective is to keep contributing to the future of people, society, and the planet through vacuum technology and its peripheral technologies. ULVAC is dedicated to rigorously implementing our mid-term management plan and attaining our set objectives.

We encourage our stakeholders to join ULVAC on this significant journey as we expand the circle of co-creation towards the future. We greatly value and seek your ongoing support in all our endeavors.

ULVAC's Value Creation <Value Offered by ULVAC's Businesses> Here & There, Near your side

ULVAC's Vacuum Technology

The ULVAC Group's Basic Corporate Philosophy states, "The ULVAC Group aims to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies." As ULVAC manufactures production equipment, the general public rarely see our products. But the products produced using vacuum technology and equipment are integral to people's daily lives. With our vacuum technology, we will continue to be a company needed by society.

AI Artificial intelligence (AI) made possible by advanced, high-speed information processing technology is expected to overcome labor shortages, improve operational efficiency, and increase the value provided to customers. Vacuum technology is used in the production of the **semiconductors** and **electronic devices** that support this innovation.

Hospitals Development of **IoT** technology has improved access to medical care. High-quality **telemedicine** using high-definition displays is becoming available. Vacuum technology is also used to meet growing medical needs, such as for **vaccine** production and R&D of **sterile pharmaceutical products**.

Data Centers Demand for **data centers** is surging in response to expanding data flows, as teleworking spreads and needs for big data storage increase. Vacuum technology is used in the production of the **semiconductor memories, logic devices, power devices, and electronic devices** indispensable for data centers.

Electric Vehicles In pursuit of carbon neutrality, the transition to non-gasoline-powered vehicles is accelerating as the world seeks to reduce driving-related CO₂ emissions. Vacuum technology is used in the production of **power devices, electronic devices, high-performance batteries, high-performance magnets, and other parts** at the heart of EVs and other **electric vehicles**.

Vacuum Circuit Breakers The aging of infrastructure in developed countries and the need for industrial infrastructure in emerging countries are issues that demand attention. Vacuum technology is key to improving the performance of the **vacuum circuit breakers** in power receiving and transforming facilities, **heat exchangers** of air conditioning equipment, and other equipment to ensure safety, security, and efficient maintenance.

- Semiconductor
- Electronic Device
- Components
- Materials

- Semiconductor
- Electronic Device
- FPD
- Industrial Equipment
- Components
- Materials

- Semiconductor
- Electronic Device
- Components
- Materials

- Semiconductor
- Electronic Device
- FPD
- Components
- Materials

- Industrial Equipment
- Components

- Semiconductor
- Semiconductor Production Equipment
- Electronic Device
- Electronic Device Production Equipment
- FPD
- FPD Production Equipment
- Industrial Equipment
- Industrial Equipment
- Components
- Components
- Materials
- Materials

Wind Power Generation

Renewable energy has a low impact on the global environment and is not depleted. **Wind power generation** is a major renewable. Vacuum technology is used in the production of the **power devices and high-performance magnets applied in wind turbines**.

- Semiconductor
- Electronic Device
- Industrial Equipment
- Components
- Materials

Smart Home

Smart homes leverage IoT, AI, and other technologies to achieve greater comfort and convenience. In view of their advantages, they are expected to spread. Vacuum technology is used in the production of the **semiconductors, electronic devices, and displays** that make smart homes possible.

- Semiconductor
- Electronic Device
- FPD
- Components
- Materials

Freeze-dried Foods/Supplements

- Industrial Equipment
- Components

The need to reduce food waste and food loss has become a pressing issue, in view of global shortages of food. Vacuum technology is used in the food processing industry to **freeze dry** food products and produce nutritional **supplements**.

Drones

The use of **drones in smart agriculture** is attracting attention nowadays, not least as a way of compensating for labor shortages in the agricultural sector. Vacuum technology is used in the production of the **semiconductors, electronic devices, and batteries** essential for drones.

- Semiconductor
- Electronic Device
- Components
- Materials

Solar Cells

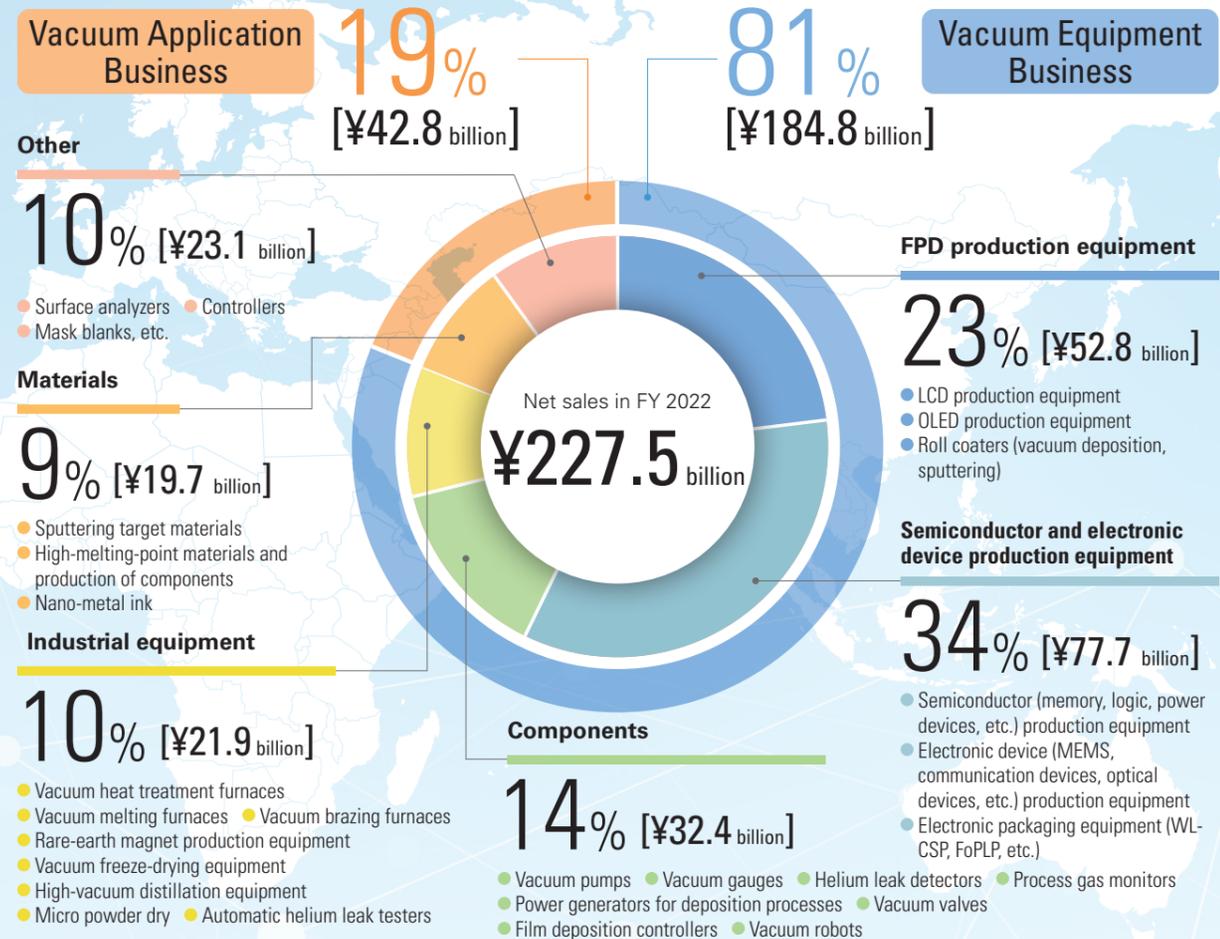
Solar power generation is a mainstay form of renewable energy and is playing an increasingly important role in the energy mix. Vacuum technology is used in the production of the **control power devices** applied in solar power generation systems.

- Electronic Device
- FPD
- Components
- Materials

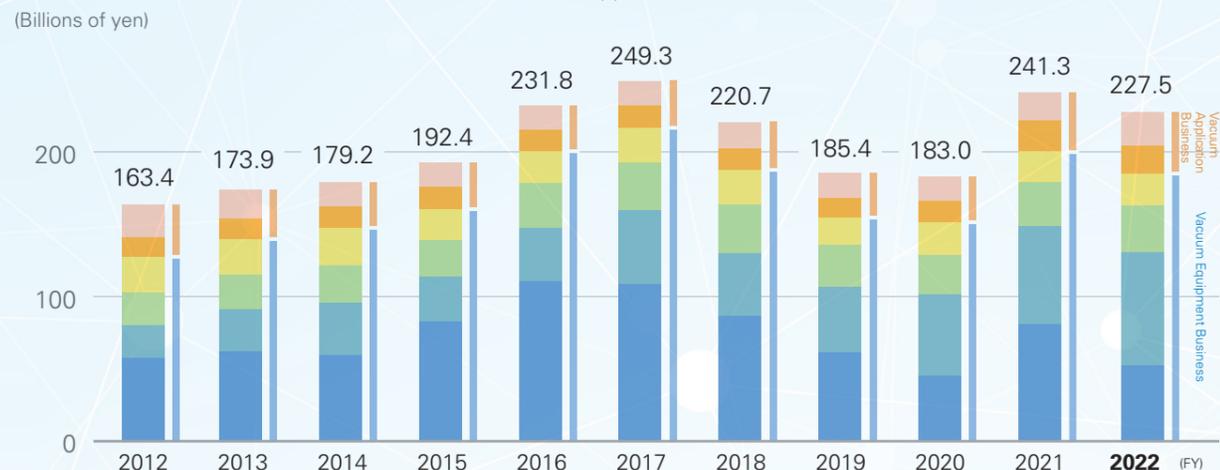
ULVAC's Businesses

Across a wide range of industries, ULVAC is the source of numerous products and technologies that meet the needs of our customers and the market. For FPD production equipment and semiconductor and electronic device production equipment, which are ULVAC's current mainstay businesses, many of our major customers are in East Asia. ULVAC is characterized by a high ratio of sales overseas, centering on East Asia.

Net Sales by Business Segment (Amount and %)



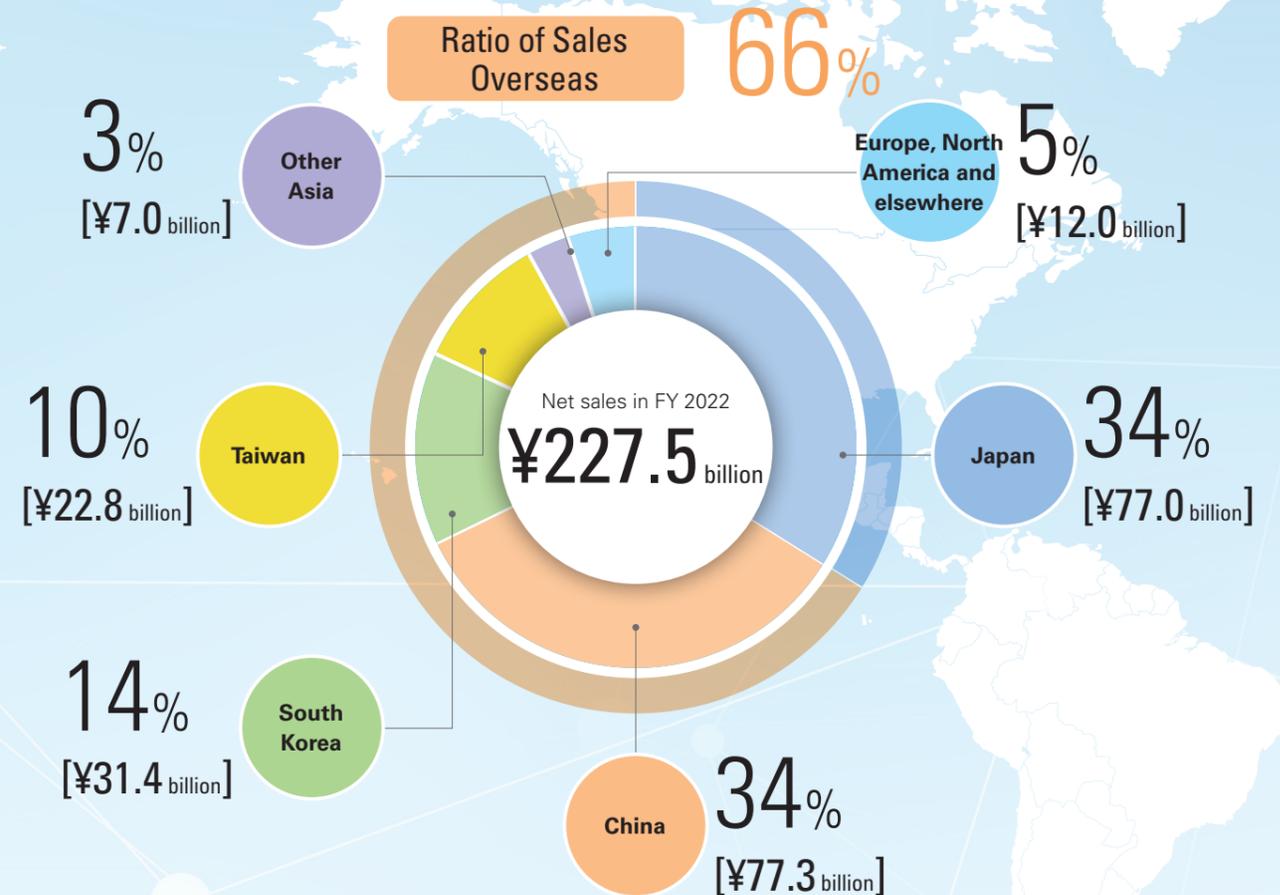
Net Sales by Business Segment



*Includes PV production equipment business up to FY 2018.

We have a global R&D system to promote joint development in close proximity to the world's leading companies and advanced research institutions as well as a global support system to satisfy customers in every situation. With regard to production, we are working to strengthen our manufacturing capabilities, optimize production in light of business needs and regional characteristics, and enhance integration of the global supply chain and collaboration, with a focus on East Asia.

Net Sales by Region (Amount and %)



ULVAC's Global Reach

	Japan	China	South Korea	Taiwan	Europe, North America and elsewhere	Other Asia	Total
Number of employees*1	2,986	1,651	795	586	147	99	6,264
Number of companies	11	15	3	6	3	3	41
Number of support bases	25	15	7	6	9	8	70
Number of R&D bases	5	1	2	1	1	0	10
Number of production bases by business*2							
FPD production equipment	3	1	1	1	0	0	
Semiconductor and electronic device production equipment	4	1	1	1	1	0	
Components	4	3	1	0	0	0	
Industrial equipment	2	2	0	0	0	1	
Materials	4	1	1	1	0	1	
Other	4	3	1	2	0	1	

*1 The number of employees is on a consolidated basis (as of June 30, 2023). The number of bases includes non-consolidated subsidiaries and associates (as of September 30, 2023).

*2 As for production bases, plants that produce items for more than one business are counted for each business.

ULVAC's History

Ever since its foundation in 1952, ULVAC has been contributing to the resolution of social issues in each successive era by deploying its core state-of-the-art vacuum technology, and has grown remarkably. ULVAC will continue contributing to the development of industry and science through the comprehensive application of vacuum technology in accordance with the Basic Corporate Philosophy.



The current logo was established in 2001.

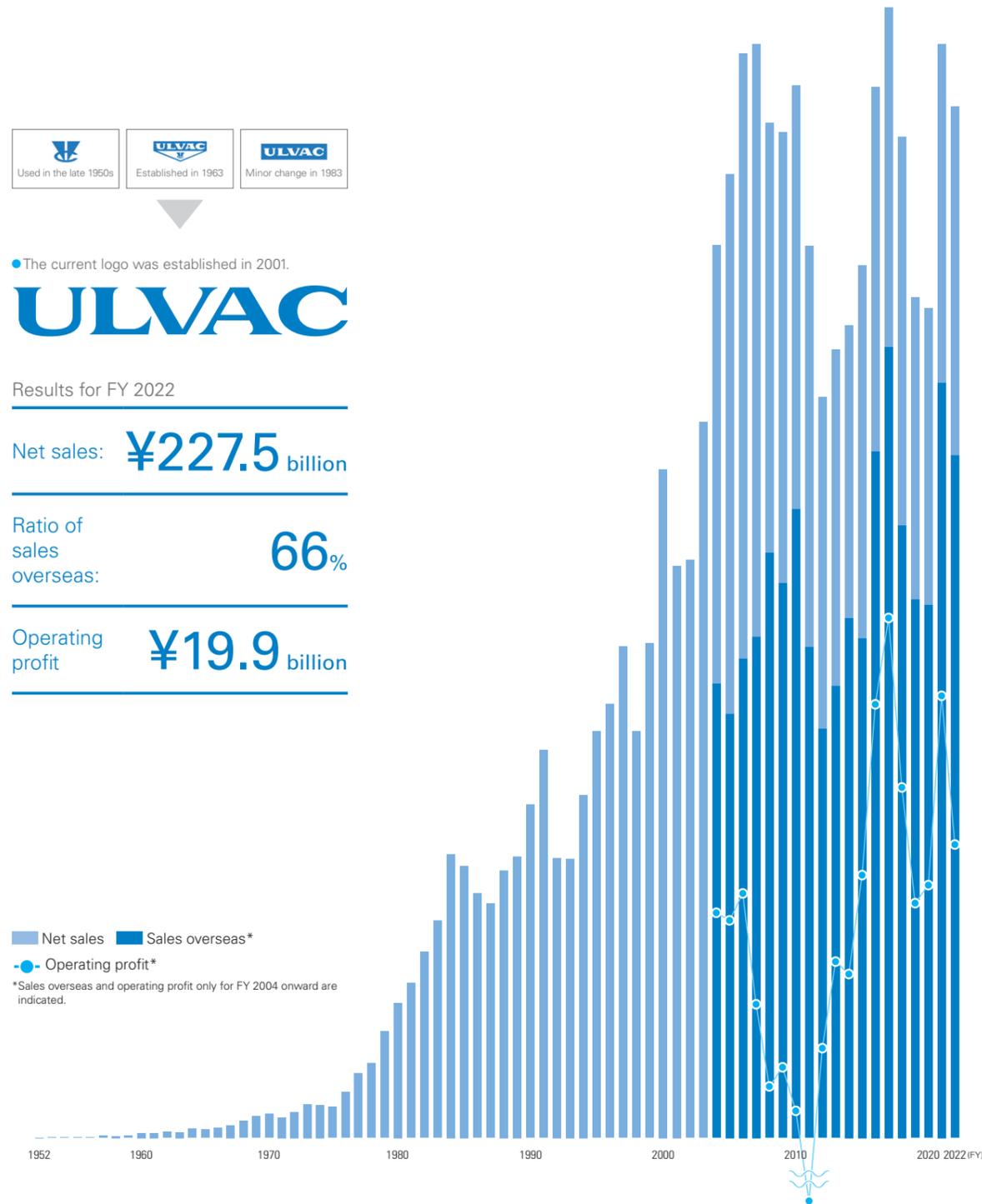


Results for FY 2022

Net sales: **¥227.5 billion**

Ratio of sales overseas: **66%**

Operating profit: **¥19.9 billion**



■ Net sales ■ Sales overseas*

○ Operating profit*

*Sales overseas and operating profit only for FY 2004 onward are indicated.



Head Office at the time of establishment (1952)

Head Office/Plant completed in Chigasaki (1968)

Institute for Super Materials (1972)

Fuji Susono Plant (1990)

Listed on the First Section of the Tokyo Stock Exchange (2004)

1952-1970 High economic growth period

Industrial restoration and convenience in daily life

Applied vacuum equipment to contribute to industries supporting people's lives

1952 Japan Vacuum Engineering Co., Ltd. was founded.
1955 Opened the Omori Plant in Tokyo to start manufacturing equipment in Japan.
1959 Opened the Yokohama Plant.
1964 Established the first overseas subsidiary in Hong Kong.
1968 Head Office/Plant completed in Chigasaki, Kanagawa Prefecture.

Contribution to resolution of social issues

- Developed vacuum arc furnaces for stainless steel and other steel manufacturers, contributing to industrial restoration.
- Developed vacuum melting and casting furnace for nuclear power development, contributing to the solution of energy problems.
- Developed highly sensitive vacuum gas analysis for direct analysis of air pollution.
- Delivered a large-scale space chamber to the space research lab at the University of Tokyo, contributing to space development.
- Developed vacuum freeze-drying equipment for instant foods, contributing to the improvement of food culture.

1971-1990 Development of electronics

Comfortable working environment

In line with increasing demand for semiconductors, a stream of ULVAC products gained top shares in the global market.

1972 Opened the Institute for Super Materials as ULVAC's first research facility.
1975 Established a subsidiary in North America as a base for exports to the U.S.
1982 Established a subsidiary in Taiwan.
1983 Opened the Beijing Office in China.
1990 Opened the Fuji Susono Plant in Shizuoka Prefecture, as a plant dedicated to semiconductor production equipment.

Contribution to resolution of social issues

- Delivered vacuum pumping system for a critical plasma tester to Japan Atomic Energy Research Institute.
- Developed transparent conductive film deposition equipment for LCDs for calculators.
- Developed the world's first multi-chamber deposition system for semiconductor memory.
- Delivered the world's first computer-controlled vacuum deposition system for semiconductors to IBM.
- Developed sputtering equipment for hard disk deposition, making a significant contribution to improvement of computer performance.

1991-2010 Information society, spread of digital home appliances

High-performance devices

ULVAC grew significantly in line with the expansion of the FPD market from Japan to South Korea and Taiwan.

2001 Changed the company name to ULVAC, Inc.
2003 Established a full-scale production and service base in China.
2004 Listed on the First Section of the Tokyo Stock Exchange. New buildings of the Head Office/Plant (Chigasaki) completed.
2005 Opened the Chiba Tomisato Plant for the development and manufacturing of materials.

Contribution to resolution of social issues

- Developed the CERAUS series of multi-chamber deposition systems for semiconductors.
- Developed the SMD series of sputtering systems for LCDs, contributing to mass production of laptop PCs. It subsequently became the foundation for the popularization of flat-screen TVs.
- Developed deposition equipment for OLED, which is a next-generation display.
- Developed ion implantation system for mass production of power devices that contribute to power saving.
- Developed the ECO-SHOCK power-saving attachment for dry pumps.
- Developed an integrated production line for thin-film solar cells to meet the demand for renewable energy.

2011-Present Digital society

Sustainable future

Contributing to a wide range of fields by leveraging strengths as a comprehensive vacuum equipment manufacturer in line with the spread of mobile devices and the development of ICT

2011 Established the South Korea Institute for Super Materials in South Korea.
2015 Established the Future Technology Research Laboratory.
2018 Opened the ULVAC-Osaka University Joint Research Laboratory for Future Technology at Osaka University.
2021 Opened the ULVAC Advanced Technology Collaborative Research Cluster at Tokyo Institute of Technology.
2022 Listed on the Prime Market of the Tokyo Stock Exchange.

Contribution to resolution of social issues

- Development of thin-film lithium metal anode using vacuum deposition technology was selected for the NEDO* Green Innovation Fund Project "Development of Next-Generation Storage Batteries and Next-Generation Motors"
- The ULVAC-Osaka University Joint Research Laboratory for Future Technology at Osaka University is conducting basic research in the regenerative medicine and energy fields and accepts students for Japan's first corporate co-creation program.
- The ULVAC Advanced Technology Collaborative Research Cluster at Tokyo Institute of Technology aims at co-creation, such as human resources development and integration of plasma diagnostics technology and AI technology.
- Developed extreme ultraviolet (EUV) lithography-ready sputtering equipment for Metal Hard Mask (MHM) process, contributing to mass production of high-speed, low-power-consumption advanced logic devices.

* New Energy and Industrial Technology Development Organization

Customers' products



Reflectors for automobiles



Pharmaceuticals



Special steel



LCD calculator display



Computer (Photo: Courtesy of IBM Archives)



Disks/discs (magnetic, optical)



Flat-panel display



Large flat-panel display



Electronic devices



Advanced semiconductor



OLED

ULVAC's solutions



Vacuum evaporation equipment for general industries



High-vacuum distillation equipment for plasticizers



100 kg-class induction heat-type vacuum melting furnace



Transparent conductive film deposition equipment



Fully automated vacuum evaporation equipment



In-line sputtering equipment for magnetic disks



LCD production equipment



LCD production equipment



Electronic device production equipment



Semiconductor production equipment



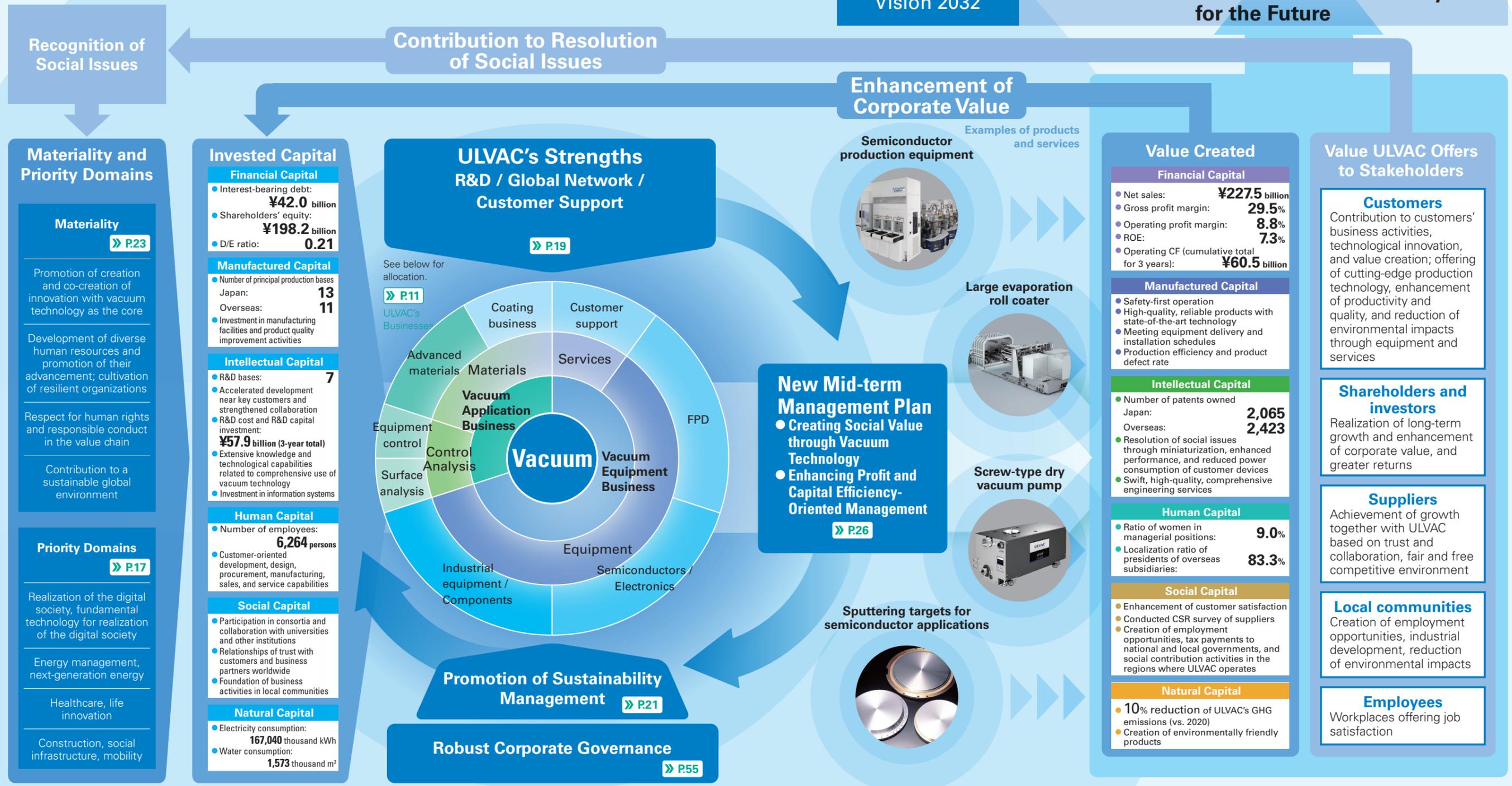
OLED production equipment

ULVAC's Value Creation <Process>

Through the implementation of the Basic Corporate Philosophy which states that the ULVAC Group aims to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies, ULVAC aspires to be an enterprise indispensable for society.

Our Goal for 2050 [» P.24](#)
A company that utilizes vacuum technology to create value for the world with its partners and continues to contribute to the future of people and the planet

Vision 2032 **Continue to be a "Field of Potentiality" for the Future**



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

ULVAC's Value Creation <Priority Issues>

We are committed to realizing a society that is not only safe and secure but also affluent and convenient by offering value utilizing vacuum technology, which is indispensable and fundamental for industrial and scientific development.

We will continue helping to resolve social issues in cooperation with our customers through the provision of products and solutions to them.

Social issues	Market opportunities	ULVAC's business activities			ULVAC's six businesses				Main value offered by the business	Customers and their products	Contribution to resolution of principal social issues*
		Priority domains	Semiconductor production equipment	Electronic device production equipment	FPD production equipment	Components	Industrial equipment	Materials			
<ul style="list-style-type: none"> Progress of digitalization, advances in 5G and IoT, and establishment of network infrastructure 	<ul style="list-style-type: none"> Aspiration for the progress of all industries and technological innovation Diversification of semiconductor and electronic device applications and needs Trend toward devices that are smaller, faster, larger-capacity and consume less power 	<p>Realization of the digital society Autonomous driving, agriculture, healthcare, virtual currency, etc.</p> <p>Fundamental technology for realization of the digital society IoT, cloud, AI, robots, big data, drones</p>	See >>> P.29		See >>> P.32			See >>> P.34	<p>Response to new semiconductor and electronic device fields and needs by applying vacuum deposition and other technologies and R&D of cutting-edge processes through co-creation with customers</p>	<p>FPD, semiconductor, electronic equipment, and device manufacturers</p> <p>Semiconductors: Memory, logic DRAM, PCRAM, 3D-NAND, CPU, etc.</p> <p>Functional devices: Sensing, communication (5G), display MEMS, SAW/FBAR devices, LCD, OLED, etc.</p>	<p>Contribution to realization of an advanced, convenient, safe and secure, digital society</p>
<ul style="list-style-type: none"> Environmental issues, such as global warming and climate change Global energy issues due to dependence on finite resources 	<ul style="list-style-type: none"> Progress of renewable and low-carbon energy systems Improvement in energy conversion efficiency 	<p>Energy management, next-generation energy</p>	See >>> P.30		See >>> P.31			See >>> P.33	<p>Enhancement of performance of solar cells and power devices by vacuum deposition, ion implantation and other technologies, contribution to reduction of power consumption of various devices</p>	<p>Solar cell manufacturers, battery manufacturers, etc.</p> <p>Energy: Heat generation, power storage, conversion Solar cells, secondary batteries (lithium ion batteries etc.), power devices, magnets for wind turbines, etc.</p>	<p>Contribution to creation of a sustainable society by power generation, energy storage and energy saving</p>
<ul style="list-style-type: none"> Food safety and security, population explosion and sharp increase in demand for food in emerging countries, increase in food loss Longevity, needs and progress of health promotion and healthcare 	<ul style="list-style-type: none"> Longer preservation of food and pharmaceuticals, volume reduction 	<p>Healthcare, life innovation</p>							<p>Longer life and volume reduction of freeze-dried food, vaccines, drugs, etc. by vacuum freeze drying and other technologies</p>	<p>Food manufacturers, pharmaceutical manufacturers, etc.</p> <p>Foodstuffs, pharmaceuticals: Freeze drying Freeze-dried foods, emergency provisions, supplements, vaccines, etc.</p>	<p>Contribution to human health, the future of medicine, and realization of a sustainable society with minimal food loss by means of safe and secure foods and pharmaceuticals</p>
<ul style="list-style-type: none"> Aging of infrastructure in developed countries Development of industrial infrastructure in emerging countries Wider gap between rich and poor 	<ul style="list-style-type: none"> Development of safe, secure and convenient infrastructure 	<p>Construction, social infrastructure, mobility</p>							<p>Enhancement of performance of industrial materials and response to new materials by applying vacuum heat treatment and other technologies</p>	<p>Chemical and materials manufacturers, steelmakers, transportation equipment manufacturers, etc.</p> <p>Industrial materials: Heat treatment Glass building materials, industrial materials, materials for transportation equipment, heat exchangers, etc.</p>	<p>Contribution to creation of a sustainable society that is safe and secure and comfortable</p>

*Indicates relationships with the United Nations' Sustainable Development Goals (SDGs).

ULVAC's Strengths

Strength 1 Research and Development

Ongoing value creation from a medium- to long-term perspective

Having positioned promotion of creation and co-creation of innovation with vacuum technology as the core as materiality, ULVAC is promoting development of technologies that contribute to realization of a sustainable society. Semiconductors and sophisticated electronic devices are essential for addressing social issues such as climate change and other environmental concerns. We are promoting development to ensure that the Group's vacuum thin film processing technology becomes a core technology for manufacturing these devices. So, to realize the above, our development structure leverages business partnerships with various companies and research institutions. We are also laying the foundation for long-term sustainable growth underpinned by the latest technologies. Specifically, we will endeavor to respond swiftly to the progress from 5G to 6G and IoT in line with the proliferation of global network infrastructure and the emergence of the digital society while flexibly addressing social issues, such as global warming and climate change.

Principal themes

- Advanced logic
- NAND/DRAM
- Next-generation batteries
- Power devices
- Electronic devices (MEMS, sensors)
- Optical devices (μOLED, μLED)
- Packaging (WLP, PLP)

TOPICS Relevant SDGs 4 QUALITY EDUCATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 17 PARTNERSHIPS FOR THE GOALS

Collaborative Research Cluster at Tokyo Institute of Technology

On September 22, 2021, ULVAC, Inc. and Tokyo Institute of Technology (hereinafter "Tokyo Tech") established the ULVAC Advanced Technology Collaborative Research Cluster (hereinafter the "Collaborative Research Cluster") on the Ookayama Campus of Tokyo Tech. ULVAC and Tokyo Tech have achieved results through ad hoc research cooperation, but to further strengthen the collaboration between the company and the university as partners at the organizational level, we set up the Collaborative Research Cluster with the support of the Tokyo Tech Open Innovation Platform.

Combining Tokyo Tech's plasma diagnostics technology and AI technology, the Collaborative Research Cluster aims to improve the performance of plasma processing equipment by measuring plasma conditions that could not be measured previously. The synergy created by laboratories from different fields working together is expected to produce new research results that cannot be obtained through ad hoc collaborative research. Additionally, leveraging this organization-to-organization collaboration will lead to a wide range of positive outcomes, not only in joint research but also in fields such as personnel development, leading to future growth of both ULVAC and Tokyo Tech.



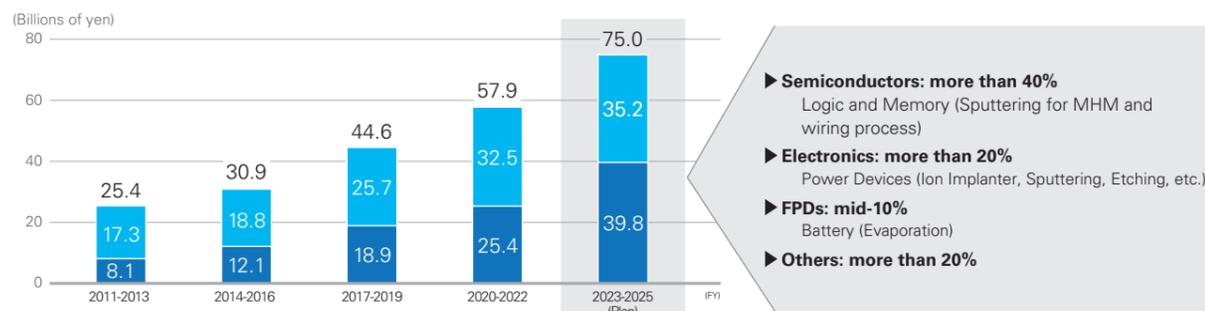
For details Website>>News

Progress and Plan for R&D Investment

¥75.0 billion in R&D investment (R&D capital investment and R&D cost) is planned centering on semiconductor and electronic device production equipment, which is a growing field, for the three years covered by the mid-term management plan.

R&D investment (3-year total)

■ R&D capital investment ■ R&D cost



Strength 2 Global Network

Networks offering solutions to support industrial development worldwide

ULVAC has established optimal networks covering development, sales, manufacturing, and services not only for Japan but also for East Asia. To spur development by capitalizing on the global development system, ULVAC is promoting joint development with leading companies and research institutions around the world.

Japan



China **South Korea** **Taiwan**



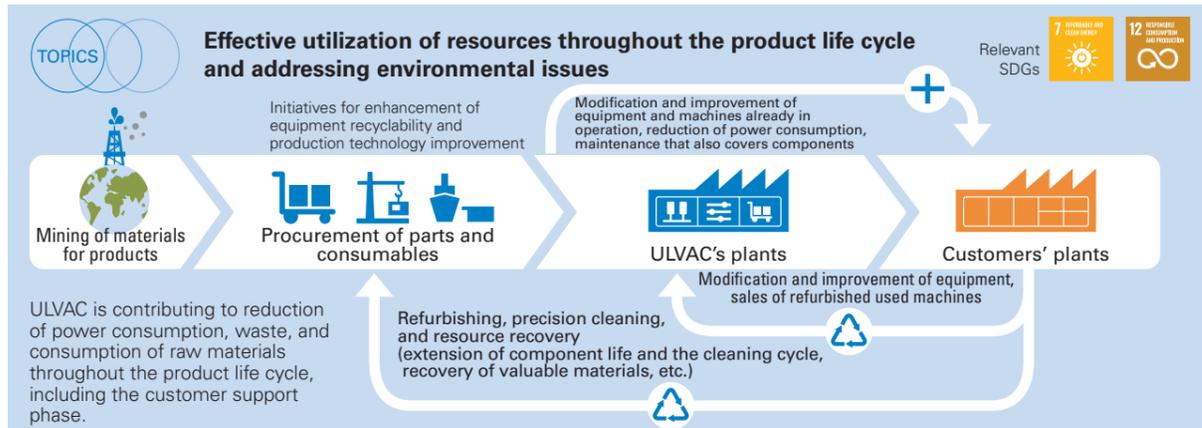
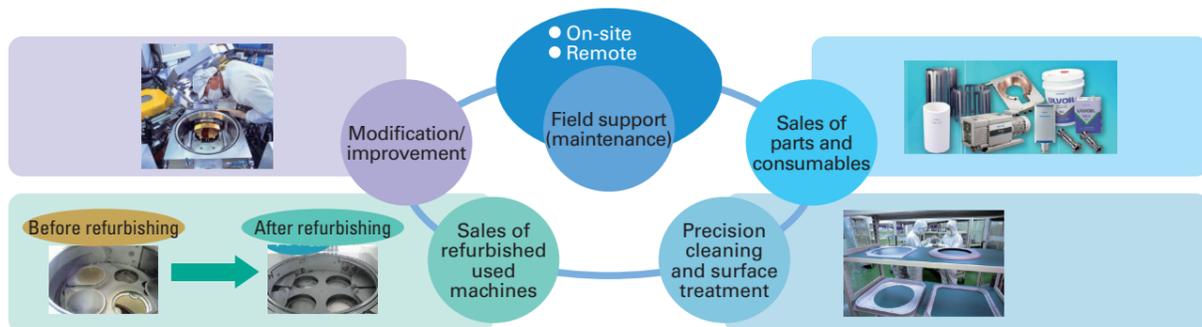
In regard to manufacturing, ULVAC has expanded a production system centering on Japan, China, South Korea, and Taiwan. Going forward, we will emphasize improvement of production efficiency by further promoting optimal production. Each site of the ULVAC Group has established its own local supply chain. In addition, the ULVAC Group is reestablishing a global supply chain to optimize procurement.

For details Website>>Support>Sales Offices
 For details Website>>Support>Service Center

Strength 3 Customer Support

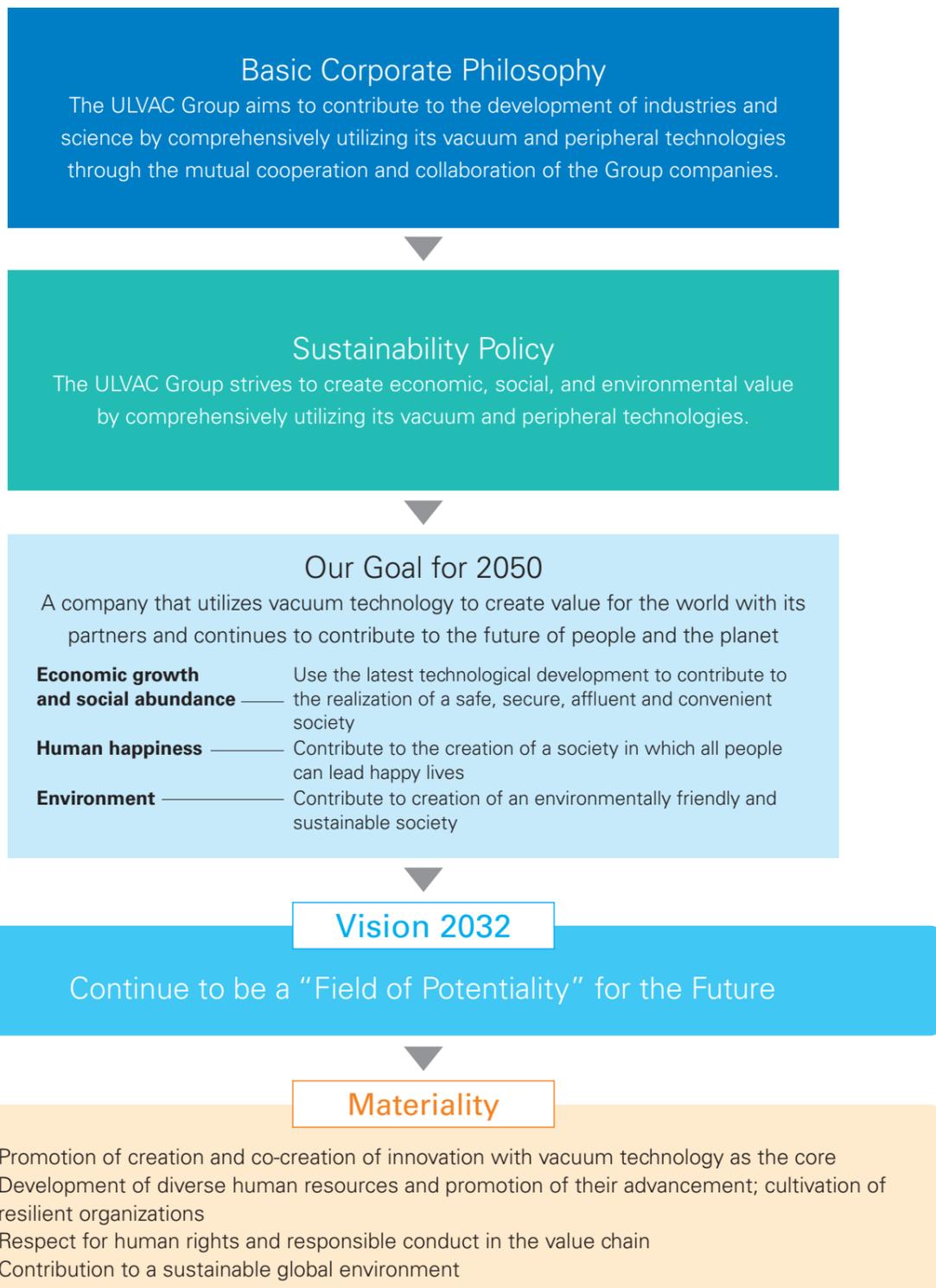
ULVAC's customer support solutions pool the Group's know-how

Our customer support network in Japan and around the world underpins our customers' production operations in a manner that meets their needs throughout the product life cycle. We offer comprehensive maintenance services covering components and make proposals for modification and improvement. Furthermore, by using information on customer needs as feedback for the development of new equipment, we aim to offer even more sophisticated vacuum technologies and services. We will also expand remote customer support packages utilizing IoT equipment.



ULVAC's Sustainable Management

The foundation of all business activities is the Basic Corporate Philosophy stating our aspiration: "to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies." We will work with our partners to pursue cutting-edge technology, and contribute to the creation of a sustainable society with vacuum technology while fulfilling our social responsibility.



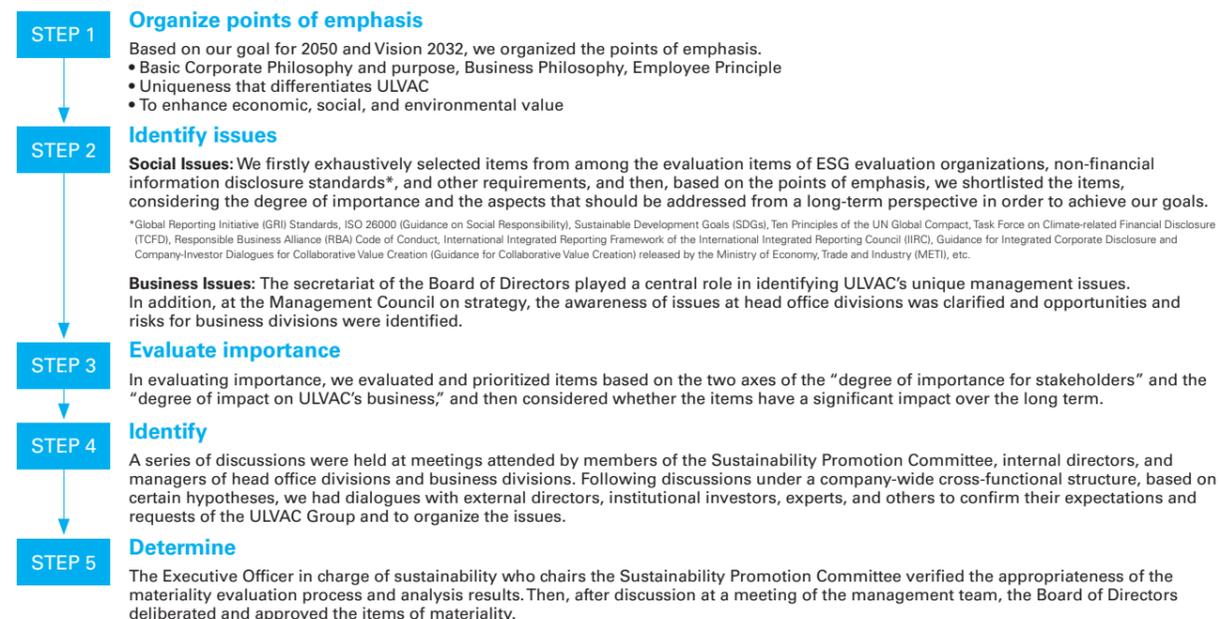
Materiality Identification Process

[For details Website >>](#)
[Sustainability > ULVAC's Sustainable Management > Materiality](#)

Basic Approach

In the process of identifying materiality, we conducted an internal review and had in-depth discussions as well as dialogues with external directors, external experts, institutional investors, and others. Reflecting the suggestions obtained, we considered materiality in a broader sense from the viewpoint of enhancement of corporate value and have positioned materiality as "ULVAC's unique management issues for realization of our goal for 2050 and Vision 2032."

Identification Process



[For details Website >>](#)
[Sustainability > ULVAC's Sustainable Management > ULVAC's Sustainability](#)

Promotion Structure

We have established the Sustainable Management Department, which reports directly to the President, to promote sustainability initiatives throughout the Group. The Sustainability Promotion Committee, which meets twice a year, is attended by internal directors, executive officers, and department heads. The Committee sets sustainability targets, manages progress, considers policies, and discusses initiatives on key themes. Important matters are reported and resolved as appropriate at the Management Council, a body that deliberates on matters related to important business execution based on management policies decided by the Board of Directors. Moreover, the Executive Officer in charge of sustainability reports to the Board of Directors on the contents of discussion by the Sustainability Promotion Committee and the sustainability initiatives of the entire Group, so that the Board of Directors can accurately grasp the status of business execution and supervise it appropriately.

Promotion Structure



Toward the Realization of Our Goal for 2050

ULVAC sets our goal for 2050 based on the Basic Corporate Philosophy.

In the last fiscal year, we formulated "Vision 2032," the ideal configuration of the ULVAC Group 10 years from now, and identified "materiality," management issues specific to ULVAC toward the realization of our goal for 2050 and Vision 2032.

We have formulated a mid-term management plan for FY 2023 to FY 2025 to realize these medium- to long-term visions by backcasting. Through the achievement of this plan, we will work to realize our goal for 2050.

Backcast

Our Goal for 2050

A company that utilizes vacuum technology to create value for the world with its partners and continues to contribute to the future of people and the planet

Vision 2032

Continue to be a "Field of Potentiality" for the Future

The term "Field of Potentiality" alludes to "the margin of each person's mind." Having an empty space in one's minds allows one to absorb more from the outside world. Using the knowledge thus gained, one can venture into the unknown and create the new. This begins when a person becomes aware of the "Field of Potentiality" within their mind. We believe that the ULVAC Group, where the energy of such people is gathered, will also become a "Field of Potentiality," which will lead to the creation and co-creation of innovation with vacuum technology at its core that will contribute to a sustainable future.

Economic growth and social abundance

Use the latest technological development to contribute to the realization of a safe, secure, affluent and convenient society

Human happiness

Contribute to the creation of a society in which all people can lead happy lives

Environment

Contribute to creation of an environmentally friendly and sustainable society

Mid-term Management Plan (FY 2023 to FY 2025)

For details [P.26](#) New Mid-term Management Plan

Basic Policy

- Creating Social Value through Vacuum Technology
- Enhancing Profit and Capital Efficiency-Oriented Management

Priority Strategies

- Strengthening Product Competitiveness in Growth Businesses
- Improving Global Productivity
- Strengthening Management Base

Numerical Targets

- Net sales ¥300.0 billion
- Gross profit margin 35%
- Operating profit (margin) ¥48.0 billion (16%)
- ROE 14%
- Operating CF (cumulative total for 3 years) ¥63.0 billion

Mid-term Management Plan (FY 2020 to FY 2022)

For details [P.25](#) Review of the Previous Mid-term Management Plan

Basic Policy

- Development Investment for Growth (Selection and Concentration)
- Profit-Oriented Management Through a Change in Structure

Priority Strategies

- Strengthening the Growing Business; Strengthening Research and Development
- Enhancing Manufacturing Capabilities
- Enhancing Group Management Efficiency
- Strengthening Management Base

Numerical Targets

- Net sales ¥210.0 billion
- Gross profit margin 35%
- Operating profit margin 16%
- ROE 13%
- Operating CF ¥29.0 billion

Forecast

Materiality

For details [P.35](#) Details of Initiatives for Materiality

Promotion of creation and co-creation of innovation with vacuum technology as the core

Development of diverse human resources and promotion of their advancement; cultivation of resilient organizations

Respect for human rights and responsible conduct in the value chain

Contribution to a sustainable global environment

Review of the Previous Mid-term Management Plan (FY 2020-FY 2022)

During the three years covered by the previous mid-term management plan, the business environment remained uncertain owing to the COVID-19 pandemic, supply chain disruptions, and increasing geopolitical risks. Meanwhile, the trend toward a smart society that could potentially resolve social issues accelerated and there was vigorous investment in advanced technologies and equipment.

Viewing the advent of a smart society and technological innovation, such as reduction in power consumption, as business opportunities, ULVAC pursued its basic policies of "investment in development for growth" and "profit-oriented management through structural change."

In the semiconductor field, we strengthened product development capabilities in response to technological innovation, establishing a global development structure by promoting joint development of cutting-edge technologies with leading companies worldwide. As a result, not only were our products adopted in the mass-production process of cutting-edge logic devices but also their adoption in other processes began to expand. Sales of growth drivers greatly exceeded the initial plan also in other fields against the backdrop of vigorous investment in power devices, optical devices, batteries for EVs, etc. In addition, components and materials businesses, which are stable sources of revenue, also grew steadily.

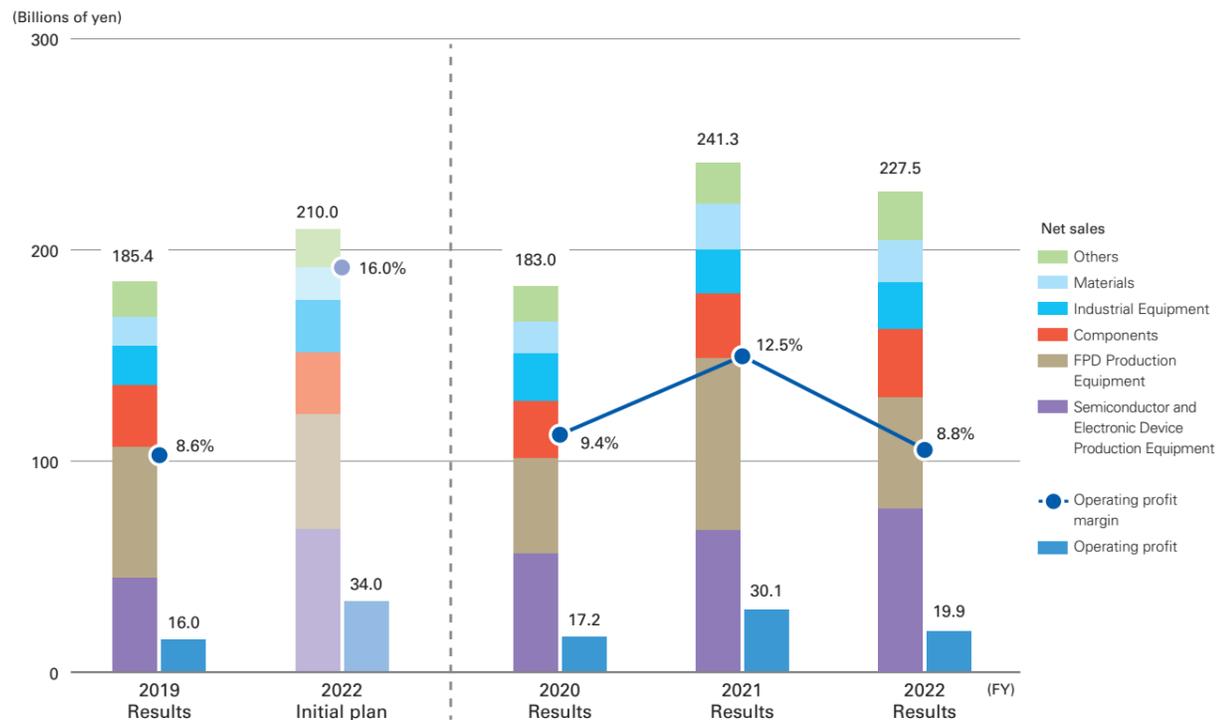
For enhancing manufacturing capabilities, we pursued integrated reform of engineering & design, procurement, and production processes. With regard to engineering and design reform, we have incorporated "modular design" and promoted the sharing and standardization of products. In procurement reform, we strove to reduce procurement costs through reestablishment of the global supply chain. For production process reform, we promoted specialization of production sites and improvement of manufacturing productivity.

As part of the initiatives to enhance Group management efficiency, two manufacturing subsidiaries in Japan were consolidated into ULVAC, Inc. and certain overseas subsidiaries were consolidated to promote business unit-based management throughout the Group.

With regard to strengthening of the management base, we introduced a new personnel system and put various systems in place to improve productivity. In addition, we steadily increased shareholders' equity and secured financial stability.

As a result of these various initiatives, net sales exceeded the initial plan. In particular, sales of semiconductor and electronic device fields significantly outperformed the plan. On the other hand, profits fell short of the initial plan because of the rapid deterioration of the market environment and longer delivery lead times for procured parts.

Net sales, operating profit, and operating profit margin



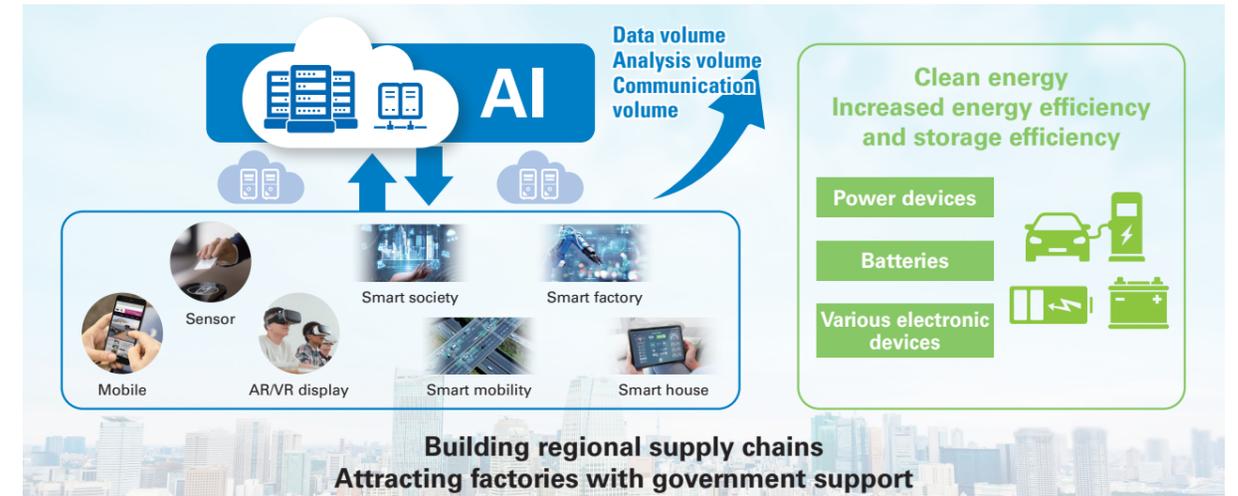
New Mid-term Management Plan (FY 2023-FY 2025)

External Environment

Data flows, data analytics, and communications are all expected to increase dramatically as digitization advances toward realization of a smart society, the metaverse, and generative AI. This trend will create tremendous demand for servers, sensors, and various other devices, which will fuel a soaring demand for semiconductors, and in proportion to these developments, it will involve significant power consumption.

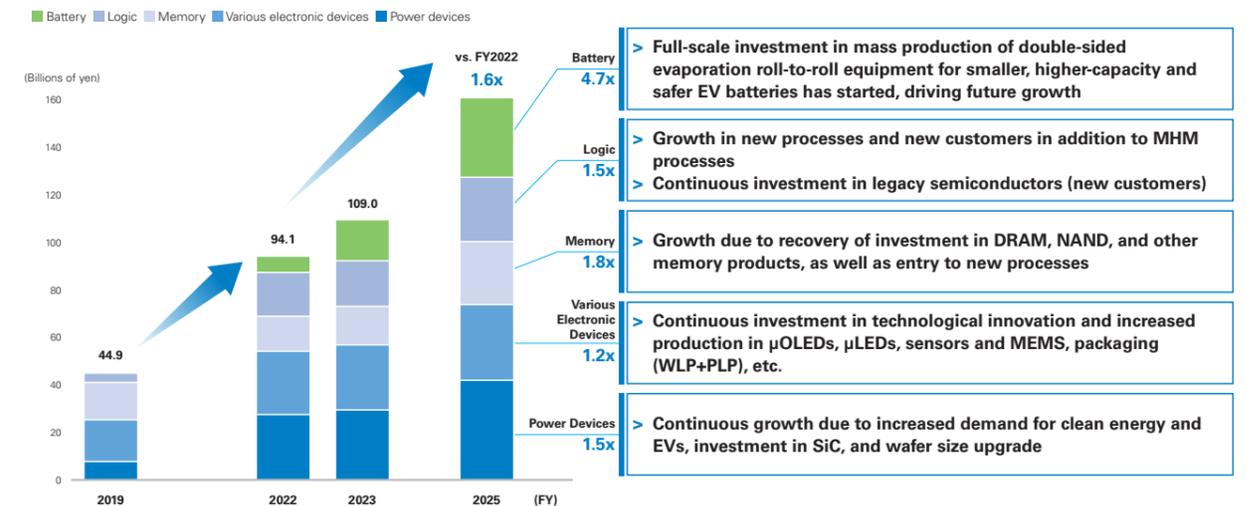
On the other hand, in order to curb power consumption, the shift to clean energy must be pursued. The to-do list includes improving the efficiency of power devices, miniaturizing semiconductors, improving the energy efficiency of various electronic devices, and extending the service life of EV batteries.

Moreover, in recent years, investment in countermeasures for geopolitical risks and to establish regional supply chains has continuously increased.



We will focus on the semiconductor and electronic device fields and the EV battery field, where significant growth is expected, in order to meet diverse customer needs and help resolve social issues while expanding business opportunities for the ULVAC Group.

Order Forecast of Growth Drivers



- > Full-scale investment in mass production of double-sided evaporation roll-to-roll equipment for smaller, higher-capacity and safer EV batteries has started, driving future growth
- > Growth in new processes and new customers in addition to MHM processes
- > Continuous investment in legacy semiconductors (new customers)
- > Growth due to recovery of investment in DRAM, NAND, and other memory products, as well as entry to new processes
- > Continuous investment in technological innovation and increased production in μ OLEDs, μ LEDs, sensors and MEMS, packaging (WLP+PLP), etc.
- > Continuous growth due to increased demand for clean energy and EVs, investment in SiC, and wafer size upgrade

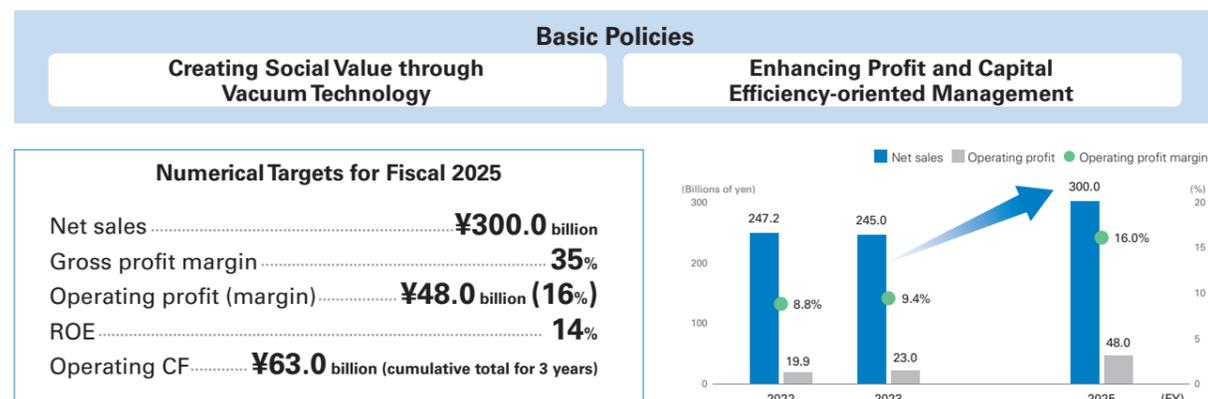
Key Points of the New Mid-term Management Plan

The basic policies of the new mid-term management plan are “creating social value through vacuum technology” and “enhancing profit and capital efficiency-oriented management.”

In order to achieve the plan, we will further strengthen business in the semiconductor and electronic device fields where medium- to long-term growth is expected. We will also increase investment in development so as to strengthen product competitiveness.

Regarding global productivity improvement, we will further strengthen manufacturing capabilities and strive to establish a production structure that will enable us to achieve the target of ¥300 billion in net sales.

We will strengthen the management base by building a robust financial base to secure funds necessary for investment in development for securing the ULVAC Group's growth and enabling a swift response to change in the external environment. We will also emphasize strengthening of human capital.



Strengthening Product Competitiveness in Growth Businesses

Expanding Semiconductor and Electronic Device Production Equipment Business

Semiconductor Production Equipment Business

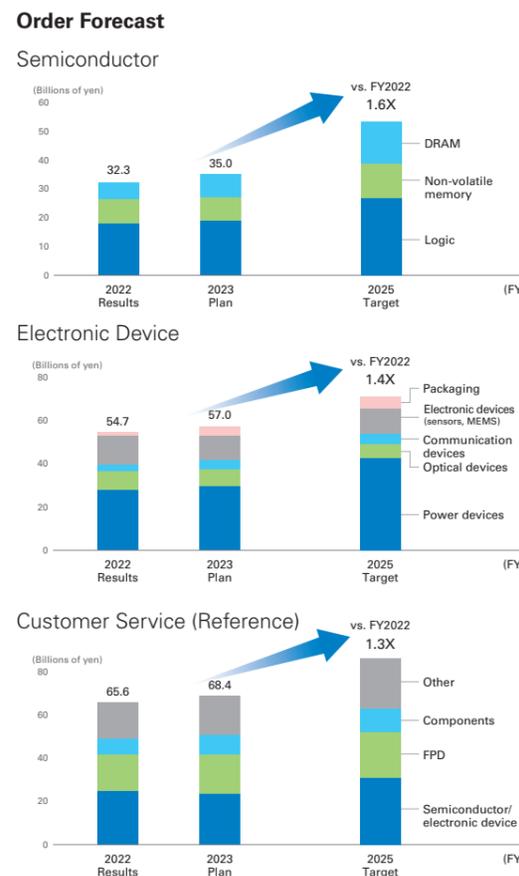
Capitalizing on our technological capabilities in advanced logic and our track record of manufacturing processes for which customers have adopted ULVAC equipment, we will strengthen sales expansion activities with the aim of also securing the adoption of ULVAC equipment in those manufacturing processes in the memory and legacy semiconductor fields, thus expanding business.

Electronic Device Production Equipment Business

In our five priority fields (power devices, optical devices, communication devices, electronic devices, packaging), we aim to achieve differentiation of mainstay ULVAC equipment in terms of performance, delivery, etc. and further strengthen sales expansion activities to expand business.

Strengthening Customer Support Business

We view covering the entire product lifecycle as a business opportunity for the ULVAC Group. We will strengthen the support system in regions where we need to sharpen our focus and promote proposal-based business, such as the improvement and upgrading of existing equipment, so as to further strengthen the ULVAC Group's comprehensive services.



Promoting Innovation through Co-creation For details [▶ P.19](#) ULVAC's Strengths

The new mid-term management plan calls for R&D investment, which includes R&D capital investment and R&D cost, of ¥75.0 billion over the next three years. Investment will be focused on growth drivers, such as semiconductors, power devices, and batteries.

Moreover, by promoting joint development of cutting-edge technologies with world-leading companies, universities, and other institutions in the respective fields, we will strengthen our product development capabilities so as to keep abreast of technological innovation. We will also strive to enhance our global development system.

The Technology Center Pyeongtaek in South Korea, scheduled for completion next year, will strengthen collaboration and technical support by accelerating development of products and technologies close to our customers in the semiconductor field.

Improving Global Productivity

Our aim is to establish a structure that enables production worth ¥300 billion and improve profitability. In order to achieve the gross profit margin of 35%, we will strengthen manufacturing capabilities and reinforce the information system infrastructure that supports manufacturing.

Strengthening Manufacturing Capabilities

Strengthen product planning capabilities

In order to strengthen product planning capabilities, we will strengthen collaborative business processes of the ULVAC Group (development, sales, engineering and design, purchasing, manufacturing, and others) and promote modularization and standardization.

Strengthen strategic purchasing capabilities

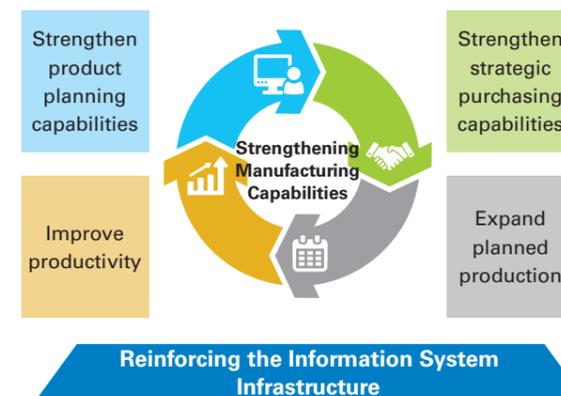
We will work to further strengthen strategic purchasing capabilities in response to planned production by strengthening cooperation with key suppliers.

Improve productivity

We will promote production at optimal production sites for each type of equipment and flexible allocation of management resources among the ULVAC Group's business divisions in order to further improve productivity.

Expand planned production

We will expand planned production of equipment for semiconductors, power devices, and batteries, while at the same time, we will continue efforts to shorten lead times.



Reinforcing the Information System Infrastructure

As well as reviewing business processes to further promote efficient production, we will promote digitization, including the introduction of various information systems so as to further improve productivity.

Strengthening the Management Base

Strengthening ESG Management

- We will continue our efforts to reduce CO₂ emissions in the ULVAC Group's business activities and strive to further develop and expand sales of environmentally friendly products that help resolve social issues such as the climate crisis.
- We will share our conception of the human rights-conscious business operations that we promote not only throughout the ULVAC Group but also with our stakeholders, including our business partners, and aim to further ensure respect for human rights, including the working environment and labor relations.
- In order to realize sustainable growth of the ULVAC Group, we will strive to enhance the effectiveness and transparency of our management systems so as to reinforce our corporate governance structure.

Strengthening the financial base and cash flow management

We will step up our efforts to build a robust financial base to secure funds necessary for investment in development for the ULVAC Group's further growth and enabling a swift response to change in the external environment. We will also further strengthen cash flow management to improve capital efficiency.

Promoting Human Capital Management

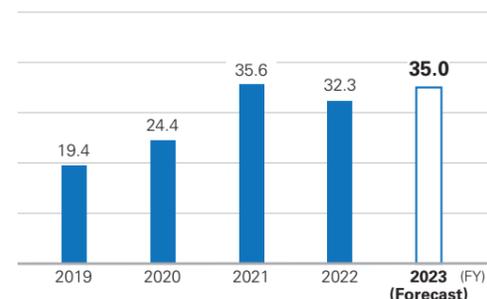
We will increase employee engagement by creating an environment where diverse human resources can demonstrate their full potential at the ULVAC Group. At the same time, with the aim of reinforcing the ULVAC Group's human capital, we will rebuild programs for the development of core human resources who will become the next generation of leaders.

Vacuum Equipment Business 1 Semiconductor Production Equipment

Demand for semiconductors is expected to increase over the long term as they are the key foundation supporting an increasingly diverse society. Without semiconductors, everything from PCs and smartphones to EVs, industrial robots, and generative AI would be inconceivable. Through the vacuum technology we have cultivated as a semiconductor production equipment manufacturer, ULVAC wishes to contribute to social development and grow together with society.

ULVAC positions the semiconductor production equipment business as a growth driver and will continue to invest aggressively in development geared to customer needs.

Orders received (Billions of yen)



Review of FY 2022

Although slowing investment made the market environment challenging, ULVAC increased its investment in development, continued joint development with key customers, and was able to increase the number of customers adopting ULVAC equipment in advanced logic mass-production processes.

In February 2022, the decision was taken to construct Technology Center PYEONGTAEK in South Korea to accelerate product and technology development near customers while also strengthening collaboration and technological support.

Although market growth slowed temporarily owing to excess inventory and export restrictions, we implemented measures to spur development and improve productivity in preparation for the next round of growth.

Medium- to long-term outlook of the market environment

We expect the market will bottom out at the end of 2023 and recovery to start in the first half of 2024 for certain production equipment for memory products, with a recovery trend becoming apparent from the second half of 2024. While investment in production equipment for older generation logic products continues mainly in China and the U.S., we expect a recovery of investment in production equipment for advanced logic products to begin around 2025.

Medium- to long-term initiatives

We will concentrate management resources and continue our initiatives to increase the number of processes for which customers adopt ULVAC's semiconductor production equipment. At the same time, we will work to accumulate technologies whose application to production equipment for advanced logic products will strengthen manufacturing capabilities.

With regard to the development of production equipment for advanced logic products, the technologies we established when entering the field of advanced device processes will be applied to novel deposition materials and in technologies required for next-generation devices. We also expect to achieve positive results through horizontal deployment to the production equipment for older generation logic products of the technologies originally obtained through the development of production equipment for advanced logic products.

Moreover, we will further strengthen planned production with the aim of improving production efficiency.

Recognized Business Opportunities

1. Elimination of excess inventory in the memory market
2. Recovery of investment and growth in the advanced logic field
3. Continuing investment to expand production of older generation logic products
4. Redevelopment of the semiconductor supply chain (Japan and the U.S.)

Conceivable Risks

1. Delay in elimination of excess inventory in the memory market
2. Delay in recovery of investment in the advanced logic market
3. Greater security-related export restrictions, etc.
4. Curtailment of capital investment due to deterioration of China's domestic economy

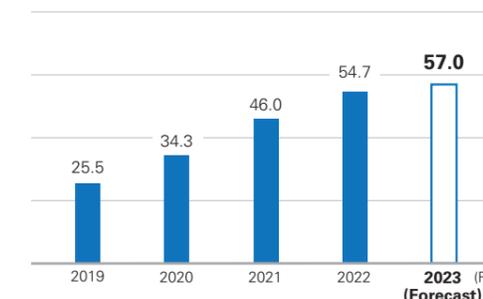
Measures for Reducing Risks and Maximizing Opportunities

1. Continue investment in development to increase the number of processes for which ULVAC equipment is adopted and promote selection & concentration in development geared to market needs
2. Strengthen technological capabilities to establish installation and customer support systems
3. Accumulate manufacturing technologies that can respond to cutting-edge technologies and promote manufacturing reforms to improve profit margins
4. Further strengthen planned production to improve production efficiency
5. Strengthen responses to the U.S. market

Vacuum Equipment Business 2 Electronic Device Production Equipment

The market for electronic devices, which are supporting the emerging smart society and the transition to clean energy, is expected to continue to see technological innovation and increased production. In particular, investment in power devices, which are indispensable for EVs and other applications, is becoming increasingly active in many countries. ULVAC aims to achieve business expansion that outperforms market growth.

Orders received (Billions of yen)



Review of FY 2022

In the electronic device market, investment in power devices expanded worldwide due to rising EV-related demand. Investment was particularly active in China, where we worked to reinforce our local sales and technical support systems. As a result, orders received and net sales reached record highs.

Medium- to long-term outlook of the market environment

In line with the progress of the smart society and the trend toward clean energy, the demand for technological innovation and expanded production of electronic devices is further increasing.

This trend is particularly pronounced in the SiC power device field in line with the diffusion of EVs, and growth is expected to continue on a global scale owing to boosted investment in view of the increase in wafer sizes and other factors.

MicroLEDs are attracting attention because of their energy-saving, high-brightness, and high-definition attributes, and there are high expectations for further progress of packaging technology. Business opportunities for ULVAC are expected to continue to grow.

Medium- to long-term initiatives

To strengthen competitiveness of ULVAC product lines, we will enhance the provision of solutions to our customers, demonstrating our strengths as a comprehensive vacuum manufacturer. For this purpose, while promoting modularization and standardization of equipment modules, we will expand planned production to shorten lead times. At the same time, we will continue to propose new processes.

Moreover, we will pursue optimization of development and production structures for business development in China and worldwide.

To keep pace with development in the rapidly growing electronic device market, we will concentrate development investment and strengthen collaboration with key customers.

Recognized Business Opportunities

1. Diffusion of EVs in line with the trend toward clean energy
2. Expansion of demand in the electronic device market
3. Evolution of electronic devices for realization of a digital society
4. Acquisition of new customers by leveraging the track record of adoption of ULVAC equipment by major customers

Conceivable Risks

1. Intensifying competition
2. Tight supply of parts and materials due to increasing capital investment
3. Greater security-related export restrictions, etc.

Measures for Reducing Risks and Maximizing Opportunities

1. Develop equipment meeting customer needs and achieve technological differentiation by strengthening marketing systems
2. Improve productivity by enhancing manufacturing capabilities
3. Redevelop and strengthen the structure of the global supply chain

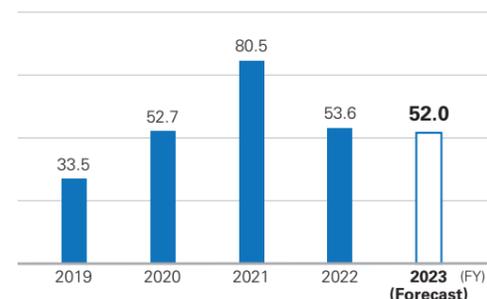
Priority fields

Priority fields	Final products
Communication devices	● Smartphones
Optical devices	● Smart devices ● 3D sensors
Electronic devices (sensors, MEMS)	● AR/VR ● sensors
Power devices	● Devices for EV application ● Industrial robots ● Energy-saving equipment
Packaging	● Smartphones ● High-speed data servers ● IoT devices

Vacuum Equipment Business 3 FPD Production Equipment

The FPD production equipment business comprises the display and energy fields. Considering that equipment for both of these fields tends to be large, ULVAC handles equipment for display devices and equipment for energy devices in the same business segment. There is increasing demand for display devices that are used as information infrastructure tools ensuring smooth communication. Moreover, there has been growing demand for highly efficient energy devices to realize stable energy supply and reduce environmental impacts. By providing "products and services that contribute to both the development of society and a sustainable global environment," we aim to enhance the value of our business and achieve further growth.

Orders received (Billions of yen)



Review of FY 2022

In the display field, capital investment was sluggish in line with the decline of panel prices due to the deterioration of the supply/demand balance. Affected by this trend, orders received by the Company fell short of the plan. In the IT panel market, which is expected to grow in the future, we invested in the development of sputtering equipment ready for the size increase from the conventional G6 to G8, aiming to gain the No. 1 share in the sputtering equipment market.

In the energy field, full-scale investment in double-sided evaporation roll-to-roll equipment began, which will realize larger-capacity, more compact, and safer EV batteries, and we began receiving orders from several customers. ULVAC developed this equipment to contribute to the mitigation of global warming and the resolution of energy issues.

Medium- to long-term outlook of the market environment

The supply/demand balance in the display field is returning to normal, and opportunities for new capital investment are expected to grow to accommodate increasingly diverse display applications, including IT products and in-vehicle equipment. Demand for displays is expected to continue, especially in the IT panel market, as new lifestyles take root, typified by the growing sophistication of information infrastructure, the shift to EVs, and use of AI.

In addition, in the EV battery market in which full-scale investment has begun, greater application of vacuum technology is expected to realize smaller size, larger capacity, improved safety, and improved productivity.

Medium- to long-term initiatives

We will continue development of mass-production equipment featuring our core large-substrate transportation technologies and higher-definition displays with the aim of gaining the No. 1 market share for sputtering equipment for IT panels. Moreover, we will expand investment in development in the customer support field, such as for automated control of deposition processes using AI and big data.

With the aim of securing a share of the EV battery market by offering mass-production technology for double-sided and high-speed film deposition ahead of competitors, we will work on development of large equipment ready for increased film width, which will improve mass-production efficiency for customers.

Furthermore, in order to further expand the application of vacuum technology, we will promote differentiation with

new material deposition technologies, such as the metal lithium vacuum deposition equipment for EV batteries, which was adopted for the Green Innovation Fund Project led by the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (NEDO) in FY 2022, with an eye to its application for other battery layers.

Recognized Business Opportunities

1. Larger display substrates supporting the use of OLED for IT products
2. Increased demand for lithium-ion batteries due to diffusion of EVs worldwide
3. Accelerating adoption of vacuum technology for improvement of EV battery performance, including improvement of safety

Conceivable Risks

1. Delay in recovery of supply/demand balance in the display field
2. No adoption of next-generation technology in the IT panel market
3. Market entry of competing manufacturers in the EV battery market
4. Restrictions on the handling of batteries if they are designated a strategic commodity in view of the international situation and supply chain fragmentation

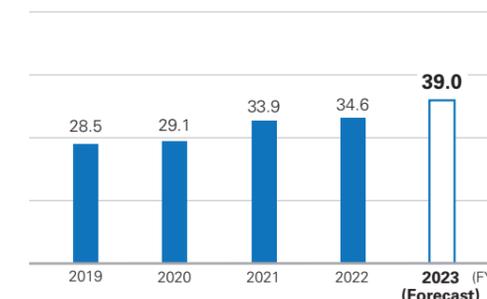
Measures for Reducing Risks and Maximizing Opportunities

1. Strengthen marketing and product planning capabilities in view of post-FPD
2. Engage in co-creation of advanced technology with leading companies and research institutions
3. Switch to standardization and modularization of design to improve production efficiency through planned production
4. Redevelop and strengthen the structure of the global supply chain

Vacuum Equipment Business 4 Components

With the aim of becoming a global leader in vacuum and cryogenic technology solutions, we will contribute to the realization of the smart society by fulfilling our responsibilities to the environment and society. We will continue providing superior products and services to maximize customer satisfaction through vigorous investment in development and collaboration with external parties.

Orders received (Billions of yen)



Review of FY 2022

Special demand associated with the COVID-19 pandemic ended and investment in OLED panels for IT was postponed. However, the electronic device and EV battery markets remained firm. The effects of the measures we implemented to deal with longer delivery lead times for parts gradually began to appear in the second half of FY 2022. As a result, both orders received and net sales surpassed the results of the previous fiscal year and the plan.

In addition, as part of our efforts to improve production technology, we worked to optimize the production system and improve production efficiency, and we managed to improve the profit margin.

Medium- to long-term outlook of the market environment

We recognize that the semiconductor, electronic device, optical film, display, EV battery, and industrial equipment markets are expected to grow over the medium to long term.

Since our major customers in the semiconductor, electronic device, optical film, and display fields are manufacturers of vacuum deposition equipment, we expect that the growth of the above-mentioned markets will lead to a stable increase in demand for the DC power generators and dry pumps installed in such equipment.

In the EV battery and industrial equipment markets, we anticipate increased demand for helium leak detectors and leak testers as well as increased demand for cryocoolers for quantum computers and MRIs.

Medium- to long-term initiatives

Having set DC power generators, helium leak detectors, dry pumps, and cryocoolers as four strategic products, we will promote vigorous entry into the market and business expansion by developing fundamental technologies and new products. In particular, we will strengthen cooperation with external parties to accelerate market entry, enrich the product lineup for the semiconductor and electronic device markets, and expand business in Europe.

We are working on enhancement of product quality as the top priority. In order to enhance product quality and improve production efficiency for business growth, we will strive to improve production technology at all production bases and build an optimal production structure.

Recognized Business Opportunities

1. Business environment in which the components business can take advantage of synergy with the semiconductor, electronic device, and FPD production equipment businesses
2. Robust market environment for semiconductors, electronic devices, optical films, IT panels, EV batteries, etc.
3. Expansion of the measuring instrument market in line with the diffusion of EVs
4. Cultivation of European markets, the Chinese market, the consumer electronics market, etc.

Conceivable Risks

1. Emergence of latecomer, low-cost manufacturers due to quality improvements
2. Delay in development of strategic products
3. Delay in collaboration with external parties
4. Soaring raw material procurement prices

Measures for Reducing Risks and Maximizing Opportunities

1. Release differentiated products through collaboration with the equipment business and external parties
2. Concentrate development resources on strategic products
3. Improve production technology at all production bases
4. Establish sales and service networks for new markets

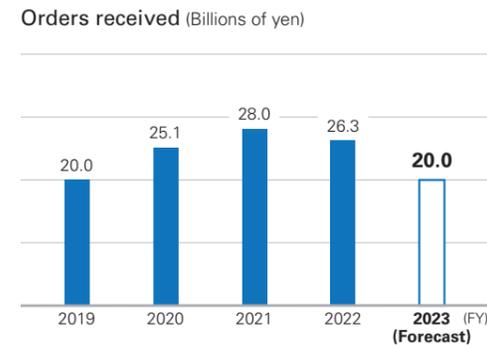
Components

ULVAC supplies components essential for vacuum equipment, including vacuum pumps, vacuum gauges, vacuum valves, helium leak detectors, gas analyzers, power generators for deposition processes, etc., to vacuum equipment manufacturers, machinery manufacturers, etc.



Vacuum Equipment Business 5 Industrial Equipment

The industrial equipment business contributes to society by reducing environmental impacts and spreading health and happiness. We provide vacuum heat treatment furnaces for brazing used in the manufacture of heat exchangers and vacuum melting furnaces for magnet materials applied in motors mounted on EVs worldwide, centering on China. Moreover, we are promoting sales expansion of vacuum freeze-drying equipment used for pharmaceuticals and other applications mainly in Japan.



Review of FY 2022

Having completed establishment of mass-production systems for vacuum heat treatment furnaces at our bases in China, we promoted global sales expansion. We also optimized production efficiency. In China, a growth market, we conducted customer-oriented sales expansion activities, which led to an increase in orders received.

Although we were unable to achieve the target for orders received for vacuum freeze-drying equipment due to postponement of investment and other factors, we continued product development with the aim of expanding sales when the market recovers in the future.

Medium- to long-term outlook of the market environment

In response to the global policies toward carbon neutrality, demand for EVs and renewable energy, such as wind power generation and power storage, is expected to continue to increase. Customers in China related to renewable energy are demanding vacuum heat treatment furnaces that will increase their production output.

In the medical field, we expect an increase in orders for vacuum freeze-drying equipment for biopharmaceuticals, such as injectable pharmaceuticals.

Medium- to long-term initiatives

Regarding vacuum heat treatment furnaces, we aim to expand orders globally. At the same time, we will further pursue safety and quality improvement.

With regard to vacuum freeze-drying equipment, we will strive to make improvements to meet customer requirements and enhance quality to ensure compliance with strict industry standards.

Recognized Business Opportunities

1. Large-scale investment for mass production of magnets for EV motors
2. Increasing demand for the energy business such as wind power generation and power storage

Conceivable Risks

1. Greater security-related export restrictions, etc.
2. Shift of production and sales overseas by Japanese pharmaceutical companies

Measures for Reducing Risks and Maximizing Opportunities

1. Improve performance of vacuum heat treatment furnaces for magnets and promote joint development with key customers
2. Achieve compliance with overseas standards and enhance quality of vacuum freeze-drying equipment



Batch-type vacuum heat treatment furnace



Hot roller-type vacuum heat treatment furnace

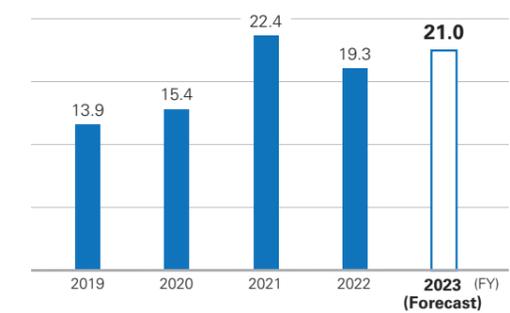


Vacuum freeze-drying equipment

Vacuum Application Business Materials

The products of the materials business are indispensable for the manufacture of semiconductors, electronic devices, displays, and various other applications that are essential in the smart society. As a partner to our customers, we are striving to ensure stable supply of highly functional, high-quality materials such as sputtering targets and functional materials globally.

Orders received (Billions of yen)



Review of FY 2022

In the semiconductor market, a growth field, demand for sputtering targets for advanced semiconductors, especially those used for logic and memory, decreased, reflecting a decline in customers' facility utilization rates in the first half of 2023. However, we were able to increase orders for the products that use powder metallurgy technology, whose technological superiority over those of competitors is recognized.

As for sputtering targets for displays, the environment remained severe throughout the year because demand decreased as a result of deteriorating market conditions. However, we were able to improve the profit margin compared to FY 2021 through manufacturing reforms, including improvements in production efficiency and manufacturing methods.

Medium- to long-term outlook of the market environment

Regarding the semiconductor field, investment in the market temporarily declined due to production adjustments, but is expected to resume growth starting in 2024. Also technically speaking, in line with further miniaturization of advanced semiconductor devices, demand for sputtering targets for wiring and semiconductor layers to be incorporated in these devices is expected to increase.

The display market where facility utilization rates were declining has also begun to recover. In particular, the shift to OLEDs for IT panels is progressing, and demand for IGZO targets, a product category in which ULVAC has strengths, is expected to grow.

Medium- to long-term initiatives

As a partner to our customers, we will supply sputtering targets, functional materials, and other high-added-value materials.

Regarding products for advanced semiconductors, which are expected to generate high profit, we aim to further expand the adoption of our mainstay products, W/WSi, by manufacturers of advanced semiconductor devices.

Moreover, we will strengthen the development structure so that we can develop and prepare materials

necessary for ULVAC's equipment business in advance and grow together with the equipment business. In particular, we will accelerate differentiation of high-melting-point metals and alloys in terms of technology, cost, and quality to maximize customer satisfaction.

Furthermore, by reviewing the functions of our bases, we will promote optimization of plants, equipment, products, and human resources, and strive to improve manufacturing capabilities through investment in equipment, replacement of old equipment, computerization, and semi-automated production.

Recognized Business Opportunities

1. Recovery of semiconductor investment and facility utilization rates at customers' factories
2. Continued investment in electronic devices related
3. Expanding demand for IGZO displays

Conceivable Risks

1. Intensifying competition
2. Delay in development and adoption for mass production
3. Unstable supply of raw materials and soaring prices

Measures for Reducing Risks and Maximizing Opportunities

1. Expand sales of sputtering target products for semiconductors using core powder metallurgy technologies
2. Improve production technology and production efficiency, optimize production bases, and enhance quality to secure profit
3. Achieve stable procurement of raw materials and promote recycling

Other

Surface analyzer business

Whereas university and company laboratories were previously the principal users of surface analyzers, they are increasingly used nowadays for routine purposes such as product inspection. Surface analyzers are being applied to more materials in more regions and markets throughout the world. ULVAC will continue offering surface analyzers and services from customers' perspectives around the world.

Production and sales of semiconductor/FPD mask blanks

Mask blanks are indispensable in the fabrication of electronic circuits for semiconductors and FPDs, which are essential for smartphones, IT panels, IoT, automobiles, communications, and other fields. Demand for mask blanks is trending upward, especially as devices evolve. We will respond to customer requirements to ensure that we ride the wave of market growth.

Details of Initiatives for Materiality

The ideal state, success factors, and targets are set for each materiality. Meeting twice a year, the Sustainability Promotion Committee confirms the progress situations and determines and reviews action plans, which are implemented by the respective responsible persons.

ESG	Materiality	Key initiatives	Key initiatives status	Pages	Relevant Sustainable Development Goals (SDGs)
E	Contribution to a Sustainable Global Environment	Initiatives for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Climate Action	We endorse the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and strive to disclose relevant information. As part of the comprehensive climate-related strategy, we have set greenhouse gas emission reduction targets and are promoting introduction of renewable energy and working to improve energy efficiency. Key metric: Greenhouse gas emissions Target: Reduce greenhouse gas emissions in 2030 by 40% as compared with 2020 (Scope 1 and 2)	» P50, P51	                
		"ULVAC Green Products" Certification Program for Environmentally Friendly Products	The program certifies products that satisfy the applicable standards for ULVAC's evaluation items concerning environmentally friendly design.	» P54	
		Environmental Activities in FY 2022 Efficient Use of Water, Management of Chemical Substances, Participation in the Reforestation Partner System	With the aim of protecting the planet's ecosystem and maintaining biodiversity, we are vigorously working on preservation of water resources, proper management of chemical substances, and forest preservation and reforestation projects.	» P50, P53	
S	Development of Diverse Human Resources and Promotion of Their Advancement	Human Resources Development, Development of Core Human Resources	We provide comprehensive programs to support employees' skills enhancement and career development.	» P42-P43	
		Respect for Diversity and Inclusion Creating an Excellent Working Environment	We foster a corporate culture conducive to employees from diverse backgrounds working together, respecting and supporting one another. We also focus on cultivating a working environment in which individual employees can demonstrate their strengths and originality while enhancing their productivity. Key metric: Ratio of women in managerial positions Target: 10% or more by June 2026 in the ULVAC Group Result: 9.0% (FY 2022)	» P41, P43	
		Promotion of Health and Productivity Management	We are promoting health and productivity management as an important management issue. Initiatives include periodic medical checkups, stress management, and exercise programs.	» P44	
	Respect for Human Rights and Responsible Conduct in the Value Chain	Occupational Safety and Health	As the implementation of precautionary measures to ensure the health and safety of our employees, improvement of safety awareness, and establishment of appropriate response measures in the event of an emergency, we are striving to improve safety standards, reduce accident rates, and raise employee safety awareness.	» P48	
Human Rights Responsible Procurement Management		We are striving to ensure respect for human rights and responsible procurement throughout our supply chain, including ensuring fair working conditions, ensuring there is no forced labor or child labor, and building sustainable relationships with our suppliers.	» P45-P47		
G	Promotion of Creation and Co-creation of Innovation with Vacuum Technology as the Core	Development Policy, R&D Investment Policy R&D System	With the aim of strengthening the semiconductor field, which is a growth driver, we are making strategic investments and allocating resources. We are also emphasizing development of new products, an increase in the number of patents granted, and expansion of R&D partnerships.	» P37, P38	
		Intellectual Property Assets	In accordance with the basic policy: "to develop and enhance the business environment, strengthen the competitiveness of the entire ULVAC Group, and enhance corporate value through intellectual assets," we are striving to create and utilize intellectual property assets.	» P40	
		Green Innovation Joint Research	Capitalizing on our prowess in vacuum technology in the development of new technologies for the manufacture of compact and lightweight storage batteries, we will create innovation leading to resolution of social issues. We are also promoting various joint research projects.	» P38, P39	
	Cultivation of Resilient Organizations	ULVAC's Sustainable Management Corporate Governance Risk Management With Our Stakeholders	In order to promote sustainable management, we are implementing management strategy from the integrated environmental, social, and governance (ESG) perspective. Regarding corporate governance, we have put in place systems to ensure organizational transparency and protect the interests of our stakeholders. This includes establishing appropriate oversight systems and strengthening risk management. Moreover, we also attach great importance to relationships with our stakeholders, and aim to enhance corporate value and achieve sustainable growth through dialogue with employees, customers, business partners, investors, and local communities.	» P21 » P55-P66 » P68	
Compliance		We are committed to preventing misconduct and to maintaining high ethical standards through the development of a compliance system and education for employees. The whistleblowing system is established for early detection and correction of misconduct and violations.	» P67		

Promotion of Creation and Co-creation of Innovation with Vacuum Technology as the Core

Development Policy

We are promoting innovative research and development focused on vacuum technology, with the ultimate objective of realizing a sustainable society. In view of recent investment in the development of advanced semiconductors and electronic devices around the world, we have decided to take on the challenge under a new structure geared to co-creation with customers. Spearheading our initiatives is the Research & Development HQ, a new organization established in July 2023. Consist of three organizations, the Institute of Advanced Technology, Future Technology Research Laboratory, and Software Development Department, the Research & Development HQ promotes R&D of the entire ULVAC Group to maximize R&D resources and results. For this purpose, the Research & Development HQ collaborates with other divisions and group companies to plan, formulate, and promote development strategies.



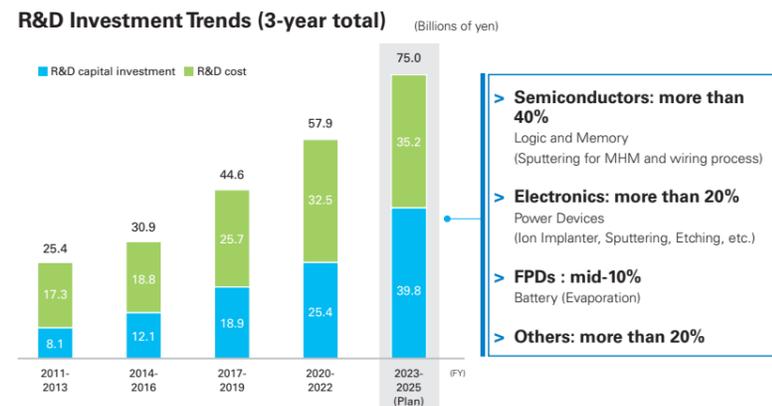
Junya Kiyota
Senior Executive Officer
Research & Development HQ

R&D Investment Policy

Our aim is to strengthen the three semiconductor fields that will be growth drivers: logic, memory, and power devices. In the logic and memory fields, based on our experience with metal hard mask processes in the cutting-edge logic field, we are developing equipment that will enable our entry into other processes and we are also improving the performance of deposition processes. In the memory field, in line with the progress of miniaturization and ever-higher integration, we are developing equipment for DRAM and 3D NAND flash memory with the aim of entering other processes, while also developing deposition processes. In the power device field, which is attracting attention in view of its potential contribution to energy saving, we are emphasizing the development of ion implantation systems.

In the logic and memory fields, the complexity of manufacturing technology is rapidly increasing. Therefore, in order to succeed in the market, it is essential to collaborate ever-more closely with manufacturers of advanced semiconductors. Against this backdrop, construction of Technology Center PYEONGTAEK is underway (scheduled for completion in March 2024) to further strengthen ULVAC's foundation for further development in South Korea.

The Technology Center's mission is to accelerate product and technology development near customers and enhance collaboration and technical support.



Overview of Technology Center Pyeongtaek

Location:	1029, Yulbuk-ri, Cheongbuk-eup, Peyongtaek-si, Gyeonggi-do
Construction began:	March 2023
Construction scheduled to be completed:	March 2024
Site area:	Approximately 11,550 square meters
Building area:	Approximately 13,168 square meters (including clean room area of approximately 2,008 square meters)
Investment amount:	Approximately 6 billion yen

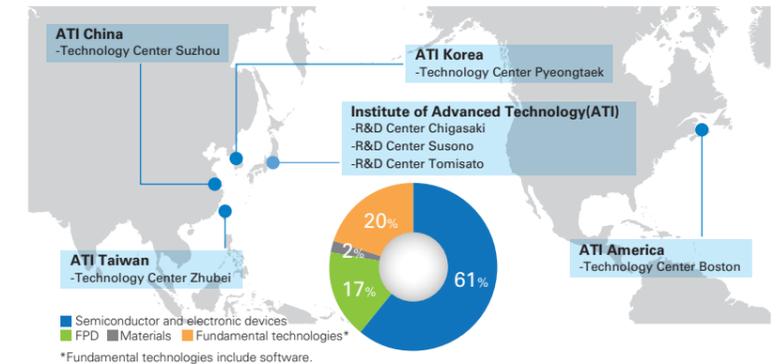
R&D Structure

Strengthening of the R&D Strategy

In the semiconductor and electronic device fields, which are our priority fields, we have reallocated resources. The R&D Center will conduct next-generation product development and basic R&D to acquire basic IP, while the Technology Center will swiftly promote product and technology development by deepening collaboration with customers and provide technical support. By enabling development meeting the needs of each product and region, this new structure will maximize development outcomes.

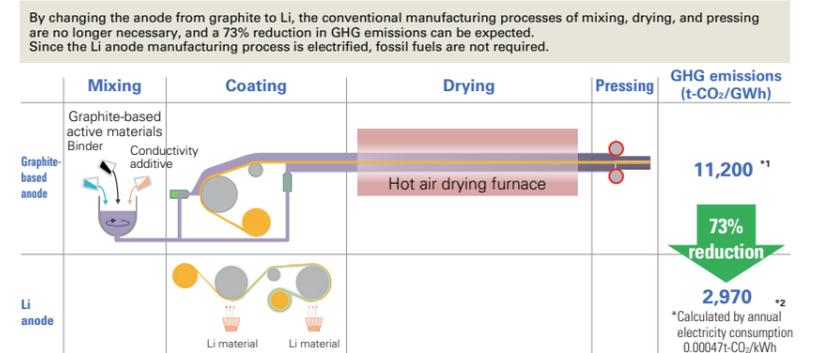
Integration of the Group's R&D functions

By integrating the R&D structure of the entire Group, we aim to continually create differentiated products and new technologies, acquire IP, and accelerate development. In this way, we will establish and operate a system that will continue to provide cutting-edge products and technologies in a timely manner in response to customer requirements. The Research & Development HQ will play a central role in releasing advanced technologies that enable us to quickly address social issues for the benefit of society.



Green Innovation

Large quantities of greenhouse gas (GHG) emissions, which are a consequence of the development of the global economy, are causing global warming. In order to solve this major environmental problem, developed countries have declared their intention of achieving carbon neutrality and are implementing various greening measures. In particular, with CO₂ emissions from the use of automobiles currently accounting for 16% of global GHG emissions, the trend toward electrification of automobiles is accelerating. However, due to the constraints on car body design and considering the cost, more compact and lightweight storage batteries are needed to spur mass adoption of electric vehicles. ULVAC will capitalize on its prowess in vacuum technology in the development of new technologies for the manufacture of compact and lightweight storage batteries, thus creating innovation leading to resolution of social issues. Specifically, we are developing production technology for lithium metal anodes by applying vacuum technology to achieve social implementation of high-energy density storage batteries with lithium metal anodes. In collaboration with manufacturers of parts and materials, film processors, etc., applying the deposition technology of roll-to-roll vacuum lithium evaporation equipment for mass production, we will offer equipment capable of producing thin-film, high-purity lithium anodes at low cost, thereby contributing to realization of more compact, higher-capacity storage batteries and reducing GHG emissions. ULVAC's lithium metal anode production technology was adopted by the New Energy and Industrial Technology Development Organization (NEDO) as a "development of material technologies for next-generation storage batteries" theme in the area of R&D "high-performance storage batteries and materials" under the "Next-generation Storage Battery and Motor Development" project of the Green Innovation Fund Projects.



Promotion of Creation and Co-creation of Innovation with Vacuum Technology as the Core

ULVAC-Osaka University Joint Research Laboratory for Future Technology

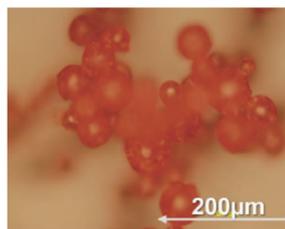
ULVAC, Inc. established ULVAC-Osaka University Joint Research Laboratory for Future Technology within Osaka University and is promoting the following studies through industry-academia co-creation with the aim of creating innovation.

1 Development of Next-generation Semiconductor

Innovative semiconductor technologies are expected to constitute the foundation of the future information society. Research is underway around the world into photoelectric fusion device, the next-generation optical semiconductor devices expected to enable high-speed communication and low power consumption. The ULVAC-Osaka University Joint Research Laboratory for Future Technology is researching photonics-spin convergence semiconductor devices, which are photoelectric fusion device that exploit the degree of freedom of spin of electrons. This technology has the potential to transcend the issues constraining development current semiconductor devices, such as the process scaling limit and heat generation, to achieve higher information density. ULVAC also aims to create new processes and materials facilitating application of advanced vacuum deposition technology in the semiconductor industry.

2 Medical-engineering collaboration

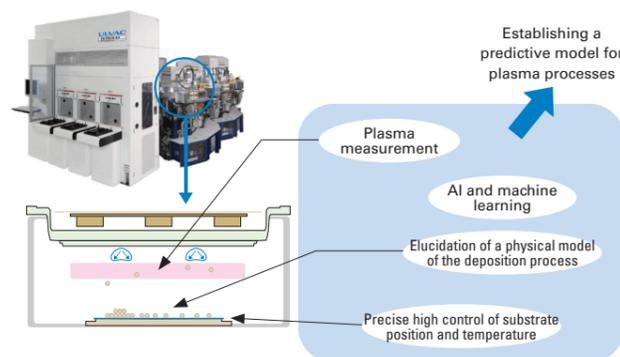
The ULVAC-Osaka University Joint Research Laboratory for Future Technology is conducting research in the medical field in which it is applying vacuum technology. Using vacuum deposition technology, the Lab is focusing on circularly polarized light sources for medical equipment applications and, using vacuum drying technology, on storing of living cells and pulverization of pharmaceuticals. In particular, the Lab is collaborating with the Faculty of Medicine, Osaka University, to develop a lyophilization technology for storing living cells in powder form using ULVAC's proprietary Micro Powder Dry™ spray-freeze-drying technology, which utilizes the phenomena of water self-freezing and ice sublimation in a vacuum. If application of this technology realizes pulverization of blood, it will enable long-term storage of living blood cells for immediate use, leading to the further development of medicine.



Lyophilized red blood cells

ULVAC Advanced Technology Collaborative Research Cluster

The ULVAC Advanced Technology Collaborative Research Cluster (hereinafter "Collaborative Research Cluster") was established by ULVAC, Inc. and Tokyo Institute of Technology (hereinafter "Tokyo Tech") on the Ookayama Campus of Tokyo Tech on September 22, 2021. Joint study is underway, combining Tokyo Tech's plasma diagnostics technology and AI technology, with the aim of improving the performance of ULVAC's plasma processing equipment by measuring plasma conditions that could not be measured previously. In the course of the past two years, we have cultivated collaborative relationships with five more laboratories which are engaging in joint research with us and providing academic guidance, not only with respect to plasma measurement and AI, and are addressing new basic research themes with a view to improving the performance of our equipment. Good results are being achieved as evidenced by presentations at academic conferences in Japan and abroad and the submission of papers. Active discussions were held among the joint research reporting meeting and we will deepen collaboration with the aim of producing new research results that cannot be obtained through ad hoc collaborative research, but are the fruits of the synergy created by laboratories from different fields working together. Leveraging this organization-to-organization collaboration, we would like to strengthen a wide range of relationships, not only in joint research but also in fields such as personnel development, leading to future growth of both ULVAC and Tokyo Tech as well as technological innovation.



Intellectual Property Assets

As a pioneer of vacuum technology in Japan, the ULVAC Group has accumulated intellectual property rights and knowhow in many vacuum-related fields over the past 70 years. The vacuum-related intellectual property assets accumulated within ULVAC, ranging from technologies for equipment, such as vacuum freeze-drying equipment for pharmaceutical applications and semiconductor manufacturing equipment to materials technologies, are expected to be applied to new technologies in the future. With vacuum technology at its core, the ULVAC Group will continue to create and utilize intellectual property assets for the advancement of industry and science.

Basic Policy on Intellectual Property Assets

The basic policy on intellectual property assets is "to develop and enhance the business environment, strengthen the competitiveness of the entire ULVAC Group, and enhance corporate value through intellectual property assets." To accomplish this basic policy, we are implementing four measures.

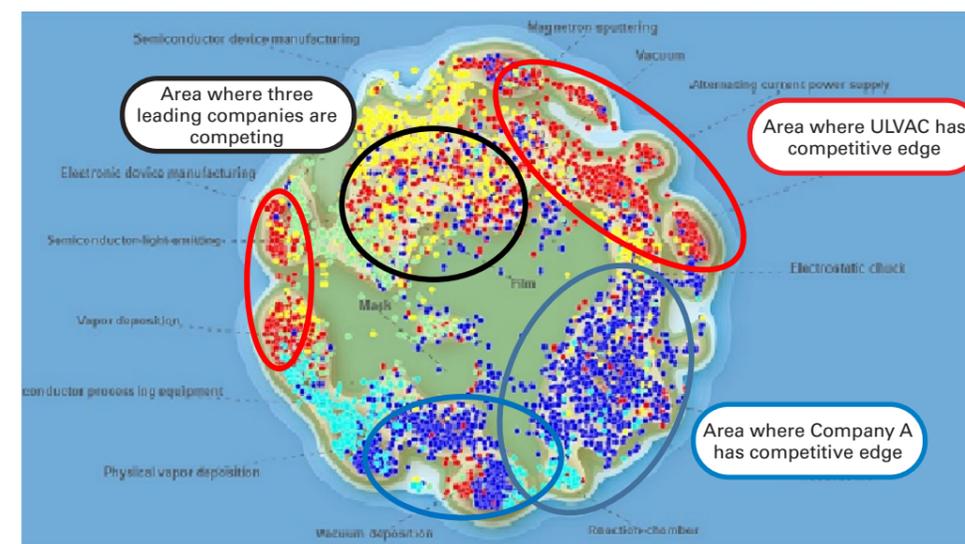
1. Respect intellectual property rights of other companies
2. Utilize intellectual property marketing (IP landscape) for management
3. Integrate business, development, and intellectual property strategies (trinity strategy)
4. Promote utilization of intellectual property and collaboration through centralized management of intellectual property of the entire Group

Intellectual Property Strategy Design

Our IP grand design covers not only patent application planning but also consideration of market trends, the value chain (from product design to disposal), ESG factors, such as energy saving, environmental impact, and social responsibility, and revenue-generating business models.

Such a comprehensive IP strategy facilitates innovative inventions and deployment of development outcomes in the marketplace, and contributes to acquisition of IP rights with clear objectives.

Example of IP landscaping for technology distribution



Intellectual Property Governance Structure

The Intellectual Property Strategy Committee has been established as an organization to discuss Group-wide IP strategies. The committee is chaired by the director in charge of innovation and is working closely with the Board of Directors. Membership of the committee comprises those people responsible for development departments, divisions, and Group companies. In formulating intellectual property strategies, the committee adopts a bird's-eye view of the entire Group.

[For details](#) Website >> Research and Development > Intellectual Property Assets (Japanese only)

Development of Diverse Human Resources and Promotion of Their Advancement; Cultivation of Resilient Organizations

For the ULVAC Group to achieve sustained growth, dynamic organizations must serve as a foundation enabling diverse human resources to fulfill their potential.

We will step up our engagement in organizational and human resources development more than ever, focusing on securing and cultivating tomorrow's leaders to strengthen the management base.

Basic Policy

Amid intensifying global competition, with overseas sales accounting for 70% of total sales, in order to achieve sustainable growth of its businesses, the ULVAC Group needs to cultivate an environment where people with diverse personalities and strengths can maintain physical and mental health, bring their differing capabilities into full play, and enhance one another's effectiveness through friendly competition.

In the ULVAC Group, people with different backgrounds, in terms of nationality, ethnicity, philosophy, culture, language, gender, age, and specialty, are flourishing. We respect such diversity and promote inclusion, innovating to resolve customers' and society's issues. By doing so, we aim to continue delivering new value that also leads to the personal growth of each employee.

Based on this approach, we are reinforcing the development of global human resources who are resilient to changes in the external environment and capable of working globally with an eye to the future from a broad perspective including the planet, society, markets and customers.

Basic Policy for Human Resources Development

We are conscious that the most important resources for corporate vitality and competitiveness are the personnel and the organizations in which they work. We are conducting the following human resources development, based on the Basic Corporate Philosophy and the Management Policies.

- | | |
|--|--|
| <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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 |
|--|--|

Respect for Diversity and Inclusion

The ULVAC Group has been striving to create workplaces offering job satisfaction without disparities in terms of gender, nationality, or ethnicity. The ratio of women in managerial positions in the ULVAC Group as a whole was 9.0%, up 1.3% from the previous fiscal year. Moreover, approximately 50% of all managerial positions in the Group are held by non-Japanese nationals.

In order to further increase corporate value, the need to expand opportunities for female employees so that they can fulfill active roles in the ULVAC Group constitutes an important management issue. We will take steps to enhance educational opportunities and various personnel systems in order to foster a growing number of female candidates for managerial positions, targeting an increase of the ratio of women in managerial positions in the ULVAC Group to 10% or more by June 2026.

Human Resources Rotation

We are vigorously promoting human resources rotation in the Group, especially between ULVAC Head Office and overseas Group companies, as a measure to promote the diversity and inclusion mentioned above. Moreover, by vigorously promoting assignment of ULVAC employees to companies outside the Group on loan and vice versa, while striving to vitalize human resources and establish human networks, we aim to achieve innovation through technical exchanges.

Employment of People with Disabilities

People with a variety of disabilities work at ULVAC, Inc. They aim to achieve personal growth and contribute to business, and by accumulating experience they have become indispensable in the workplace. After they join the company, ULVAC works with job assistance organizations, conducts regular interviews, offers support in the departments where they work and makes improvements to the working environment, providing follow-up according to the characteristics of each disability to ensure each employee becomes well established in the workplace. In addition, students with disabilities are also accepted from local educational institutions for on-the-job training.

Human Resources Development

Group-wide Level-specific Training and Training for Managerial Personnel

Level-specific education starts with an introductory program for new employees and includes a program for employees in their second year and third year and subsequent programs according to internal qualifications and positions. We have continued to redesign our education system. Specifically, we now provide training that runs for about nine months for newly appointed managerial personnel so that they can equip themselves with the managerial skills and operational knowledge they need as managers. In addition, in FY 2022, a new training program on unconscious bias was provided for executive management and newly appointed managerial personnel. The purpose of this training is to deepen understanding of unconscious bias, which affects respect for diversity and promotion of inclusion, raising awareness and creating a climate that encourages diverse human resources to fulfill more active roles. Following the training of management, we will implement this training as a Group-wide mandatory training in the future.

Manufacturing Education

Our vision is to offer a wealth of educational opportunities covering the diverse techniques and skills essential for manufacturing throughout the Group in a consistent and equitable manner. This wide-ranging education includes reskilling and the passing on of skills from one generation to the next. We are focusing on raising the level of the Group's technical capabilities through education on the fundamentals of manufacturing and vacuum technology, which constitutes essential knowledge for all ULVAC engineers. Furthermore, for trainees from Group companies in Japan and overseas, we have established a course that in a systematic manner covers ULVAC's history, culture, and management strategy as well as other subjects. We are also promoting personnel exchanges globally.

Administration Education

We provide training for employees engaged in administration so that they can acquire the basic knowledge required for their roles step by step and become adept. The program is designed to help trainees acquire a wide range of knowledge on such matters as economic and business trends, company policies and the mid-term management plan, basic knowledge of accounting and taxation, corporate governance, and the Companies Act, and also encourages them to take ownership of their education and training, showing initiative and pursuing personal growth with a view to the next stage of their career.

ULVAC Academy Portal

Launched in 2016, the ULVAC Academy Portal offers and develops programs that can flexibly respond to the increase in mid-career hiring and the flow of human resources among Group companies. Incorporating methods such as blended learning, which combines online training and group training, the portal fulfilled a particularly important role in promoting self-motivated learning during the COVID-19 pandemic. We are also working to standardize training across the Group and offer an environment in which anyone can learn whenever they wish. Some 6,000 ULVAC employees have registered and are using the portal, which now supports Japanese, English, simplified Chinese, traditional Chinese, and Korean, and currently offers around 2,500 items of content.

UL-GAIA 2022

ULVAC holds ULVAC Global Awards of Improved Achievement (UL-GAIA) to ensure that employees share and put into practice the Basic Corporate Philosophy, the Business Philosophy, and the Employee Principles, and furthermore, to commend their activities and recognize outstanding achievements. Likening the ULVAC Group to Gaia (the Earth), UL-GAIA reflects our desire to create an award to promote Group-wide unity worldwide and to combine our energy and expertise.

The theme of UL-GAIA was changed from FY 2021, and UL-GAIA is positioned as an "opportunity to share the best practices corresponding to the Basic Corporate Philosophy, the Business Philosophy, and the Employee Principles" to ensure the wholehearted participation of the entire workforce of the ULVAC Group in UL-GAIA for the purpose of promoting deeper penetration of the Basic Corporate Philosophy, etc. embodying the ULVAC Group's shared values and its orientation.

The number of entries was greater for FY 2022 than for FY 2021. Presentations included not only the activities based on the new theme but also activities in line with the previous theme of "Production Technology/Manufacturing Technology/Business Improvement," such as value creation through improvement and reform of value chain processes, maximization of synergy across the Group, and strengthening of cross-functional support and solutions for issues affecting multiple Group companies. The outcomes (benefits) of these activities and the process of problem solving were shared.

Development of Diverse Human Resources and Promotion of Their Advancement; Cultivation of Resilient Organizations

Development of Core Human Resources

To ensure diversity in the promotion of core human resources, we evaluate and promote employees based on their abilities, not on their inherent characteristics. For the selection of core human resources, we have set guidelines according to the composition of the workforce in order to promote selection and development free of any bias related to inherent characteristics.

Developing the Next Generation of Leaders

ULVAC conducts the ULVAC Executive Program (UEP) with the aim of cultivating leaders who will persistently and aggressively grapple with global change. The participants selected from among candidates at ULVAC, Inc. and domestic and overseas Group companies participate in the program over a period of six months. By combining UEP with the ULVAC Leadership Program (ULP), an education program for young leaders, we will focus on developing the next generation of leaders.

Creating an Excellent Working Environment

ULVAC, Inc. is creating a working environment in which employees can demonstrate their strengths and originality while enhancing their productivity. Furthermore, we are developing conditions and programs that minimize the impact of life events, so that diverse human resources can flourish and perform well.

Human Resources Subcommittee

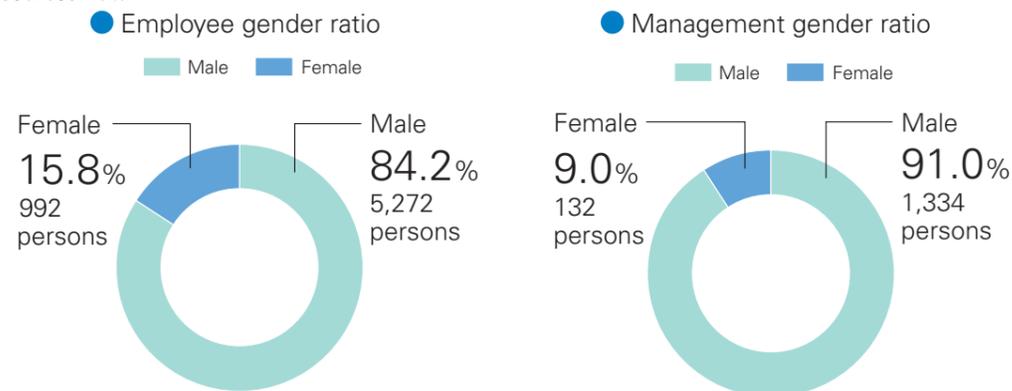
We have established the Human Resources Subcommittee consisting mainly of young employees to thoroughly examine initiatives for sustainable management from the viewpoint of human resources in order to achieve "our goal for 2050." Members of the subcommittee are drawn from various departments and roles, vary in age, and genders are fully represented. They discussed various themes such as "how to raise awareness, how to promote diversity, and how to create a comfortable working environment and flexible workstyles necessary for promoting diversity" over a period of six months and drafted a proposal of concrete measures and presented it to management as a series of recommendations. The Human Resources Subcommittee is currently addressing the issue of how best to implement the proposed measures.

Improvement of Systems for Flexible Workstyles

ULVAC, Inc. offers a staggered working hour system and a flextime system. We also introduced an hourly annual paid leave system in 2020 that is used by many employees. The average number of days of annual paid leave taken was 12.8. We have also taken steps such as the introduction of shortened working hours and the establishment of satellite offices.

Many employees take advantage of systems such as childcare leave, the short-working-hours system for childcare, and nursing care leave. In order to facilitate the use of the systems, we are publicizing the systems by holding meetings to explain the details of the systems, including through the use of explanatory videos.

Human Resources Data



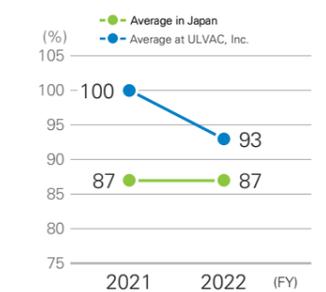
Promotion of Health and Productivity Management

Human resources are the key to achieving Vision 2032 "Continue to be a 'Field of Potentiality' for the Future." Based on the belief that "health" and "family" support human resources, we promote health and productivity management as one of the most important management issues. At ULVAC, Inc., the president, the Chief Health Promotion Officer, the senior manager of the Personnel Department, occupational health physicians, occupational health nurses, and staff of ULVAC Health Insurance Association act in unison to promote initiatives for health improvement. In addition to health checks, stress checks, and face-to-face guidance for employees who work long hours by an occupational health physician, other initiatives include reduction of health risks and support to enable employees to receive treatment while continuing to work.

Work Engagement Improvement

The target is "an increase of at least 10% in work engagement by FY 2025 compared with FY 2021." The rate of work engagement at ULVAC, Inc. has been higher than the average in Japan*1 but declined in FY 2022 to 93%*2 of the FY 2020 100% baseline. In order to overcome the challenges, with "cultivation of resilient organizations" as a material issue, ULVAC, Inc. introduced a resilience program for executives with the aim of forming habits that improve physical, emotional, mental and spiritual condition. In FY 2023, "case study meetings" were launched at which participants take ownership of their most difficult experiences and examine them with a view to enhancing unity among management. This approach has also been applied to dialogue activities among employees and is becoming more active step by step. Going forward, the ULVAC Group will continue implementing measures to increase work engagement.

Work Engagement

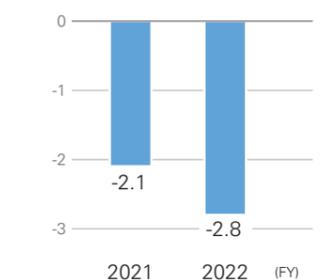


*1 Shimazu et al. 2008
*2 On the basis that the figure for FY 2021 based on the results of the Utrecht Work Engagement Scale (UWES-9) survey of ULVAC, Inc. employees at the time of applying for a medical checkup is set at 100%.

Health Risk Reduction

Our health risk reduction target is "Health age*3 3.0 years lower than actual age by FY 2025." Programs available for all employees of ULVAC, Inc. include online education programs covering long working hours, nutrition, women's health, and preparation for health checks, and a walking program that utilizes the PepUp healthcare platform. Thanks in part to the effects of these measures, the health age of employees is gradually improving. Whereas the difference between the health age and the actual age of employee was 2.1 years in FY 2021, it was 2.8 years in FY 2022. Going forward, we will continue to implement measures to lower health age.

Health Age



*3 An index developed by JMDC Inc. based on the medical checkup data and medical expenses of 1.6 million people. ULVAC, Inc. began measurement in FY 2016.



Respect for Human Rights and Responsible Conduct in the Value Chain

Human Rights

Approach to Human Rights

We believe that consideration for human rights is an important management issue in the context of further global business development. At ULVAC, we respect human rights in every aspect of business activities and are promoting initiatives in accordance with international guidelines and norms. ULVAC has established the Corporate Code of Conduct as guidelines for all officers and employees to keep in mind so as to ensure their work does not infringe human rights. In response to recent changes in awareness and issues regarding human rights in the international community, ULVAC has formulated the ULVAC Human Rights Policy based on international norms and will strengthen initiatives in accordance with those norms. This policy is the most authoritative statement of the regulations governing the ULVAC Group companies concerning human rights and it applies to all officers and employees of all Group companies. In addition, we strive to ensure that this policy is endorsed and put into practice not only by the Group companies but also by our business partners.

Human Rights Initiatives

We respect the United Nations Guiding Principles on Business and Human Rights as well as the international norms and standards set forth in the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights) and the ILO Declaration on Fundamental Principles and Rights at Work. We respect human rights in accordance with the Ten Principles of the UN Global Compact and other guidelines of the international community and industry guidelines.

Key Human Rights Issues

The ULVAC Human Rights Policy covers "prohibition of discrimination/harassment," "employment autonomy," "product safety, workplace health and safety, and employee health," "freedom of association," and "ensuring appropriate working conditions."

The Corporate Code of Conduct also prohibits any form of discriminatory treatment. In accordance with the Corporate Code of Conduct and the Basic Policy for Human Resources Development, we are striving to create workplaces offering job satisfaction.

For details [P.67](#) Compliance

For details [P.41](#) Human Resources

"Requests to Our Business Partners" states ULVAC's requests to business partners concerning human rights. We conduct a questionnaire survey of business partners and confirm whether employment autonomy is maintained.

Quality Assurance and Product Safety Initiatives

Our top priority is to ensure the quality and functions related to "health and safety" of ULVAC products, which are the result of sound business activities, at the customer's side.

For details [Website >> Sustainability > Quality Assurance and Product Safety](#)

Workplace Health and Safety

In the execution of development, manufacturing, transport, installation, maintenance and other business processes, everyone in the ULVAC Group, from senior management to line workers, is encouraged to seize the initiative in continuously undertaking improvements placing the highest priority on safety, striving to maintain and improve the safety of everyone involved and ensure a healthy working environment.

For details [P.48](#) Occupational Safety and Health

● Prohibition of Discrimination/Harassment

ULVAC does not and will not discriminate on the basis of race, skin color, age, sex, sexual orientation, gender identity and gender expression, ethnicity or national origin, disability, pregnancy, religion, political party, union membership, military service, protected genetic information, marital status, or on any other basis. Inhumane treatment, including any form of harassment will not be tolerated. We ensure equal opportunities and fairness in hiring, placement, training, compensation, and promotion.

● Employment Autonomy

No form of child labor, forced labor, debt labor, human trafficking, or prison labor will be tolerated. All work is voluntary, and we will ensure that employees are able to request termination of their employment in accordance with the standards set forth by the relevant laws and regulations of each country and region.

● Product Safety, Workplace Health and Safety, and Employee Health

We will take steps to ensure that ULVAC Group products and services do not endanger the lives or health of those who manufacture, provide, or use them, and we will comply with the laws and regulations concerning health and safety as established in the countries and regions where we operate. We will strive to manufacture and provide safe products and to maintain a safe, secure, and healthy work environment.

Employee Health

ULVAC has concluded labor agreements with labor unions and promised to sincerely work together with them to adhere to these agreements in order to establish and develop labor-management relations based on mutual faith and trust. Furthermore, we engage in close dialogue with labor unions on management plans and measures, in addition to labor conditions.

From the perspective of work-life balance, we are conducting a review of working hours that includes thorough overtime management and productivity improvement initiatives.

For details [P.44](#) Health and Productivity Management

● Freedom of Association

We respect the right to freely form and join labor unions and to participate in collective bargaining and peaceful assembly. We will also create an environment in which workers have opportunities to engage in dialogue with management regarding working conditions and management practices without fear of discrimination, retaliation, intimidation, or harassment.

● Ensuring Appropriate Working Conditions

We respect the right of employees to live a healthy lifestyle, and we will comply with applicable laws and regulations regarding working hours and the use of breaks, holidays, and vacation time in the conduct of our business.

Supply Chain Initiatives

We endeavor to comply with the RBA Code of Conduct, which is a CSR promotion group focused on the electronics industry. In addition to implementing, evaluating and correcting self-evaluations and thoroughly managing labor hours at major production bases, we request business partners to work with us on these initiatives. We conducted questionnaire surveys mainly of major business partners and have incorporated the questionnaire items into the evaluation at the time of periodic renewal. Furthermore, we have established a policy on the handling of conflict minerals and conduct due diligence.

For details [P.47](#) Procurement

Due Diligence on Human Rights

We have incorporated international norms into the ULVAC Human Rights Policy and have established human rights due diligence processes according to the procedures corresponding to the international norms. We are making an effort to further strengthen relief mechanisms by recognizing, preventing, and addressing possible negative effects of business activities on human rights.

Education

We educate all officers and employees about human rights and compliance so that they are well-informed and able to act appropriately.

Remedies and Corrections

We will establish a system (a mechanism for filing grievances) through which any infringement on human rights caused by or associated with our business activities can be reported. If we are made aware of a violation of human rights through this system, we will promptly investigate and take appropriate measures to remedy and correct the situation after fully confirming the facts.

ULVAC has adopted a whistleblowing system operated via the Manager of the Internal Auditing Department for which independence is secured. The Compliance Committee will implement appropriate measures with adequate consideration for confidentiality, anonymity and protection of whistleblowers, and strive to promptly resolve issues and prevent their recurrence.

For details [P.67](#) Compliance

Group's Issues with Significant Impact on Human Rights and Relations with Stakeholders

Business-related human rights issues/stakeholders	Employees	Business partners	Customers	Local community residents
⚠️ Forced labor and child labor		●		
🔧 Violations of workers' rights (e.g., the right to collective bargaining and decent working conditions)	●	●		
🏢 Occupational health and safety	●	●		
👤 Discrimination and harassment	●	●	●	
🔒 Invasion of privacy	●	●	●	
🗣️ Restrictions on freedom of expression	●	●	●	
👤 Human suffering due to misuse of products and promotion of discrimination			●	
👤 Complicity in conflicts and inhumane acts (e.g., conflict minerals)		●		●
👤 Violations of local residents' livelihoods and cultures (indigenous peoples' rights, right to water resources/access to medical care, etc.)		●		●

Respect for Human Rights and Responsible Conduct in the Value Chain

Responsible Procurement Management

Suppliers are our important partners for manufacturing. ULVAC is committed to responsible procurement throughout the supply chain, in cooperation with business partners, taking human rights, labor, and the environment into consideration.

Procurement Policy

The ULVAC Group has established the Basic Procurement Policy. We observe the policy and are promoting CSR procurement in cooperation with our business partners. Furthermore, "Requests to Our Business Partners" states our requests to business partners in areas such as the environment, human rights, labor and compliance as well as compliance with the RBA*1 Code of Conduct. With regard to promoting CSR procurement, we had conducted a questionnaire survey with reference to the RBA Code of Conduct covering 610 suppliers by FY 2022. As a result, we confirmed that there were no incidences of child labor, forced labor, inhumane treatment, fraud or bribery, which are particularly emphasized in the RBA Code of Conduct, and the handling of conflict minerals. We plan to expand the scope of this CSR questionnaire survey to cover ULVAC Group companies in Japan in FY 2023 and overseas Group companies in FY 2025.

Furthermore, we revised the basic transaction agreement in April 2020 and explicitly mentioned understanding the content of "Requests to Our Business Partners" and its observance.



[For details](#) | [Website > Sustainability > Procurement](#)

Purchasing Code of Conduct

We established the Purchasing Code of Conduct, a set of principles emphasizing compliance for employees engaged in procurement, in 2019 with the aim of maintaining sound, good relationships with business partners. In-house education such as case studies on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors is provided twice a year for employees engaged in ULVAC, Inc.'s procurement and that of Group companies in Japan.

Communication with Business Partners

We had been holding operations briefing meetings once a year as a forum for our president to directly explain to business partners matters such as the business environment and ULVAC's business results and supplier meetings three times a year for the person in charge of procurement to communicate production plans in a timely manner. We cancelled these meetings in view of the COVID-19 pandemic, but launched and started operating a membership-based website in FY 2020. We will strive to build closer relationships with business partners by resuming face-to-face meetings, in view of the abatement of the COVID-19 pandemic. Moreover, we will hold seminars for business partners on specific social issues (environment, human rights, etc.) to promote swift responses to those issues.

Responsible Minerals Procurement

Conflict minerals are minerals, such as 3TGs*2 and cobalt, that are sourced from conflict-affected and high-risk areas (CAHRAs) and whose extraction and sale directly or indirectly serve as sources of funding for armed groups or are root causes of serious human rights abuses and poor working conditions. ULVAC, Inc. does not purchase 3TGs, cobalt, or other raw materials that are derived from these conflict minerals.

In particular, we manufacture and sell sputtering targets and various tantalum wrought products in the materials business. We conduct due diligence in accordance with the guidance of OECD and RMI*3 through conflict minerals surveys covering raw materials suppliers in order to ensure transparency of transactions.

*1 Responsible Business Alliance. CSR promotion group focused on the electronics industry in global supply chains

*2 Tantalum, tin, tungsten, and gold

*3 Responsible Minerals Initiative. An organization that inspects smelters and refiners handling 3TGs to certify that they are not using conflict minerals

Green Procurement Initiatives

We revised the Green Procurement Standards in August 2020 and request suppliers to share information on chemical substances in commercial components used for products through the chemSHERPA*. In FY 2021, we conducted activities with a focus on creating an internal structure, implementing systems, and penetration of the Green Procurement Standards among business partners. Since FY 2022, a cross-departmental team for management of chemical substances contained in products established within the company has been organizing and managing information collected from our business partners.

* Scheme for enabling sharing of information on chemical substances contained in products throughout the supply chain

Occupational Safety and Health

The ULVAC Group has made "Safety First" the fundamental philosophy of business management. By operating our Occupational Safety and Health Management System (OSHMS) focused on risk assessment, we endeavor to ensure safety of the products and services used by our customers and create dynamic workplaces where Group employees can work in good physical and mental health.

Approach to Occupational Safety and Health

In the execution of development, manufacturing, transport, installation, maintenance and other business processes, everyone in the ULVAC Group, from senior management to line workers, is encouraged to seize the initiative in continuously undertaking improvements placing the highest priority on safety, striving to maintain and improve the safety of everyone involved and ensure a healthy working environment.

Implementation of Safety and Health Activities

To ensure the safety and good health of its customers and employees, the ULVAC Group holds meetings of the Global Safety Committee, twice a year and all Group companies promote safety and health activities in an integrated manner. Furthermore, we have established a network of the safety personnel in each Group company and promptly share, discuss or implement safety information such as revisions of laws and effective accident prevention measures.

Each Group company operates the OSHMS and declares safety based on management reviews conducted by the president and other executives. To ensure safety, every employee is engaged in occupational safety and health activities through risk assessments etc. We identify hazardous risks at the time of work planning and implement measures before commencement of work. The positive impact of the strengthening of safety measures is apparent in the trend of the frequency ratio of occupational accidents.

We hold monthly meetings of the Safety and Health Committee at each business site, where representatives from the company and the labor union work together to discuss workplace safety and health of employees. We also hold Safety and Health Council meetings twice a year to share a variety of information on safety and health activities in an effort to prevent accidents in unison with our contractors.

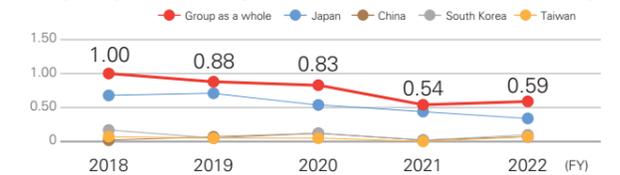
ULVAC Group Safety Management System



ULVAC Group Basic Policy on Occupational Safety and Health Management System (OSHMS)

- 1. Compliance with the code/regulations, and implementation of risk assessment**
Comply with Codes of Occupational Safety & Health Management and Rules according to ULVAC's OSHMS, and conduct Risk Assessment in order to perform Occupational Safety & Health Management activities with the help of all the employees.
- 2. Assure safety of ULVAC's products**
Comply with ULVAC's standard for safety design and perform risk assessment of our products, in order to deliver our safe products and services to our customers.
- 3. Planned education about Occupational Safety & Health & Product Safety**
For all the employees and contractor's employees, perform Occupational Safety & Health training based on ULVAC Safety Management system, while offering scheduled Product Safety training for our users.
- 4. Promotion of mental health care**
Promote mental health care to achieve a healthy, vigorous workplace environment.
- 5. Global expansion of ULVAC Group**
Through the Safety & Health promotion activities of the Global Safety Committee, we will strive to create a safe, secure and appropriate working environment for the whole ULVAC Group, and contribute to prosperity of our businesses.

Frequency ratio of occupational accidents at the ULVAC Group



* This graph shows the rate of occupational accidents for each fiscal year, with the value for FY 2018 (as of June 2019) as 1.00. We have maintained a low frequency ratio of accidents by preventing accidents through various safety activities.

Contribution to a Sustainable Global Environment

The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) states that in line with global warming, weather and climate extreme events, such as heatwaves, heavy precipitation, droughts, and tropical cyclones, are increasing in every region across the globe and are likely to continue increasing. The global average temperature has already risen more than 1°C above pre-industrial levels and, with the aim of keeping the temperature increase below 2°C, further mitigation efforts by countries are required. At the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), the focus was on strengthening measures to limit the global temperature increase to 1.5°C. Concrete plans are being formulated and climate change initiatives are intensifying worldwide. Furthermore, in consideration of the sustainability of life on Earth, the conservation of biodiversity is also positioned as an urgent international issue.

We have signed the United Nations Global Compact and our initiatives are in accordance with the principles for environmental action advocated by the UN. Moreover, we endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and disclose information on the impact of climate change on our business. Furthermore, we have been responding to a survey conducted by CDP, an international NGO. We are striving to enhance our commitment and information disclosure.



Aiming to be a company that continues to contribute to the future of people and the planet, ULVAC is responding to the above-mentioned changing external environment by conducting various activities in accordance with the Environmental Philosophy, Environmental Policy, and the Environmental Targets described below.

Environmental Philosophy

The ULVAC Group understands that the conservation of the global environment is one of the most important issues facing humanity. While effectively utilizing resources in all aspects of our operations, we take into consideration biodiversity so as to contribute to bringing about a better living environment and a more prosperous society.

Environmental Policy

- Reducing greenhouse gas emissions
We reduce greenhouse gas emissions, a main cause of climate change, through all of our activities. We are committed to developing products that conserve energy and reduce our environmental footprint.
- Preventing environmental contamination
In conducting business, we comply with environmental laws and regulations. We manage hazardous chemical substances appropriately in our manufacturing processes to prevent environmental contamination and health hazards.
- Environmental targets and continuous improvement
We establish environmental targets and strive to improve our environmental performance by reviewing these targets. In addition, we continuously improve our environmental management system through routine review.
- Environmental education and information disclosure
Through environmental education, we raise the awareness of each individual and appropriately disclose environmental information.

Environmental Targets

1 Greenhouse gas emission reduction targets

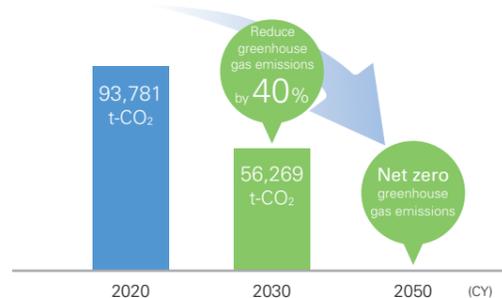
- Reduce greenhouse gas emissions in 2030 by 40% as compared with 2020 (Scope 1 and 2)
- Achieve net zero greenhouse gas emissions by 2050

2 Water consumption reduction target

- Reduce unit water consumption* to the level in 2020 or less

*Water withdrawal/Net sales (consolidated)

3 Eliminate environmental accidents



Environmental Activities in FY 2022

In growth fields such as semiconductors and electronic devices, we are actively investing in regions across the world, with a particular focus on China and South Korea, which are positioned as strategically important regions, and we are promoting capital investment. Regarding the material balance, electricity consumption increased in these strategic regions. To save energy, having set a target of a 1% reduction in greenhouse gas (GHG) emissions compared with the result for the previous year (ULVAC standard), we promoted installation of renewable energy facilities such as solar power generation facilities and vigorous procurement of renewable energy. As a result, GHG emissions decreased by 10% from the base year (2020). As for waste, both the total amount of waste recycled and the amount of landfill increased owing to increased production overseas, and the final landfill disposal rate also increased by 0.2%.

Total water consumption increased following the start of full-scale operation of ULVAC Coating Technology (HEFEI) Co., Ltd., which is engaged in the deposition and coating business that uses large amounts of water. Meanwhile, ULVAC has set a new target for efficient use of water resources. Going forward, we will promote water management with the aim of reducing water-related impact in all regions.

The amount of solar power generated increased as a result of the installation of 370-kW-capacity solar power generation equipment at ULVAC KIKO, Inc. New installations are also planned in China and Taiwan. We will continue to promote environmental management activities throughout the Group.

Material balance (Source: Aggregate data for FY 2022)

INPUT		OUTPUT	
Electricity consumption	167,040 thousand kWh	CO ₂ emissions	84,906 t (Emissions due to consumption of electricity, gas, and fuels)
Gas consumption	LPG: 243 t LNG: 658 t City gas: 1,402 thousand m ³	Total waste emissions	6,223 t Total amount of waste recycled: 4,817 t Amount of landfill: 101 t
Fuel consumption	Heavy oil: 6 kL Kerosene oil: 14 kL Diesel oil: 140 kL	Final landfill disposal rate	1.6%
Water consumption	1,573 thousand m ³		
Packaging materials	1,523 t		

Energy-derived CO₂ emissions

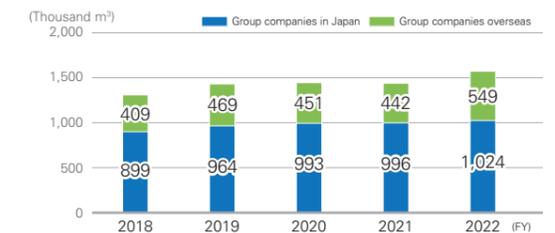


* For the emission factors, the Emissions Factors 2021 edition published by the International Energy Agency (IEA) is used.

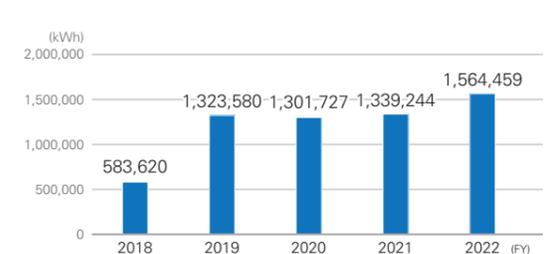
Waste emissions



Water consumption



Amount of solar power generated



Contribution to a Sustainable Global Environment

Response to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and Climate Change Initiatives

ULVAC positions climate change initiatives as one of its key management issues. The ULVAC Group has set medium- to long-term greenhouse gas emission targets, namely, a 40% reduction in 2030 (compared with 2020) and effectively zero in 2050. We will take action to mitigate climate change by endeavoring to curb greenhouse gas emissions throughout our activities, such as by doing our utmost to conserve energy in Japan and overseas, introducing renewable energy with low greenhouse gas emissions, and developing environmentally friendly products.

We endorse the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and strive to disclose relevant information. Furthermore, ULVAC has been responding to a survey conducted by CDP*, an international NGO.



*CDP: A non-governmental organization (NGO) managed by a British charity. CDP sends questionnaires on climate change and other issues to companies and local governments and assesses and discloses the impact of their activities on the environment. When deciding which companies to invest in, CDP scores are considered important criteria.

Governance

Under the supervision of the Board of Directors, the Executive Officers in charge of sustainability and the environment monitor progress toward targets.

- Meetings of the Sustainability Promotion Committee attended by the internal directors, executive officers, and department heads are held twice each year to acknowledge social trends and the Company's current condition, and discuss measures to address any issues. If significant issues related to management arise, the Management Council and the Board of Directors deliberate and make management decisions as needed.
- Meetings of the Global Environmental Management Committee chaired by the Executive Officer in charge of the environment and attended by environmental managers of Group companies are held twice each year. The committee monitors the setting of targets of each Group company and the progress, checks the status of the initiatives for achievement of the targets, discusses measures corresponding to the issues, and reports to the Management Council. The statuses of these initiatives are monitored by the Sustainability Promotion Committee and reported to the Board of Directors by the Executive Officer in charge of sustainability.

Strategy

Under the scenarios announced by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and others, that "the global average temperature will rise by 4°C or more" and "the global average temperature rise will be kept below 2°C (partly up to 1.5°C) as agreed by the Paris Agreement," we identified business risks and opportunities in the medium to long term that will be brought about by climate change. Of these, we

Major risks

Category	Elements	Measures
Market	Increase in business costs due to changes in customer behavior	Introduction of renewable energy and ensuring the implementation of energy-saving measures in business activities
Policies and legal	Carbon pricing	
Engineering	Replacement of existing products and services with those with lower emissions	Research and development of products and services such as manufacturing equipment that contributes to technological innovation in various fields, and promotion of low-power consumption of products
Acute/chronic	Business continuity risk due to extreme weather events such as typhoons and torrential rain	Formulation of business continuity plan for natural disasters and implementation of countermeasures

Major opportunities

Category	Elements	Measures
Products and services	Heightened expectations for equipment and technology contributing to low-power consumption devices, power devices and lithium-ion batteries, and increased needs for low-power-consumption products	Research and development of products and services such as manufacturing equipment that contributes to technological innovation in various fields, and promotion of low power consumption of products

analyzed risks and opportunities with respect to "carbon pricing," "business continuity risk due to the occurrence of disasters caused by typhoons, torrential rain, and other extreme weather events," and "expansion of market opportunities for power devices" and evaluated quantitative impacts on our business. Going forward, we will expand the scope of quantification of impacts on business and further consider specific measures.

Risk Management

- The Management Planning Department is designated as the department in charge of all risks that may cause serious damage to management. The Management Planning Department instructs the relevant internal divisions and departments and Group companies to identify such risks and formulate countermeasures. In this way, risks are identified, Group-wide responses are promoted, and the results are reported to the Risk Management Committee. The Risk Management Committee conducts detailed identification or identification of these risks and considers business reporting and remedial measures, strives for early detection through monitoring, conducts reporting, and implements remedial measures. Moreover, the Sustainable Management Department is designated as the department in charge of medium- to long-term sustainability risks. The Sustainable Management Department instructs the relevant internal divisions and departments and Group companies to identify sustainability-related risks and reports the results to the Sustainability Promotion Committee. The Sustainability Promotion Committee manages the progress of initiatives for medium- and long-term risks. Finally, the Board of Directors receives reports from these committees and oversees the status of risk management. Through these structures, the Group aims to achieve management stability and sustainable growth.
- We have major development and manufacturing sites in Japan, which account for 60% of the Group's total GHG emissions in Scope 1 and 2. In addition, sites in South Korea account for 17% of the Group's total GHG emissions in Scope 1 and 2, making that country second only to Japan, and they are key sites for the Group's semiconductor business to which great importance is attached from the viewpoint of management strategy. Therefore, future introduction of carbon taxes and tightening of emissions trading regulations in Japan and South Korea would have significant impacts on costs. Thus, based on the ULVAC Group's GHG emissions in Japan and South Korea, we estimated and confirmed the amounts of impacts in 2030 under the Announced Pledges Scenario (APS), which is one of the scenarios presented in the IEA's World Energy Outlook 2021 and is a scenario that reflects volunteer countries' ambitious pledges. Reductions of GHG emissions at these sites are important for achieving the Group's goal of carbon neutrality. Therefore, a committee headed by the Executive Officer in charge of the environment and related divisions will monitor the risk of energy cost increases and continue to assess this and other risks, for which purpose it will monitor trends. In addition, we will promote initiatives for further energy saving and introduction of renewable energy.
- For Scope 3, environmental impacts in the value chain are significant upstream in procurement from suppliers and downstream in the use of products by customers. Therefore, mindful of the importance of providing environmentally friendly products, we are promoting initiatives to reflect environmental considerations from the development stage onward.
- In formulating a business continuity plan, we assumed the occurrence of disasters caused by typhoons, torrential rain, and other extreme weather events, and are implementing measures to ensure continuing operation of our business.

Metrics and Targets

In order to actively address climate issues as a responsible member of society, the ULVAC Group has set medium- to long-term targets for GHG emissions from its business activities, namely, a 40% reduction in 2030 (compared with 2020) and effectively zero in 2050. We will take action to mitigate climate change by endeavoring to curb GHG emissions throughout our activities, such as by doing our utmost to conserve energy in Japan and overseas, installing solar power generation facilities, introducing renewable energy, and developing environmentally friendly products.

Reduce greenhouse gas emissions in 2030 by 40% as compared with 2020

Achieve net zero greenhouse gas emissions by 2050

Contribution to a Sustainable Global Environment

Efficient Use of Water

There are concerns worldwide about water risks, such as heavy rainfall, flooding, and water shortages, due to ongoing climate change.

We assess and confirm the impact of water risks on our business.

We identify sites exposed to water risks by using the WRI Aqueduct, a water risk assessment tool, focusing on the sites with high environmental impact as defined by the Company. We define sites with extremely high or high baseline water stress as water-stressed areas. The sites exposed to water risks are located in parts of China, South Korea, and Thailand, and account for 3% of the ULVAC Group on a consolidated basis. None of them are classified as sites with high environmental impact as defined by the Company.

In FY 2023, we have set a new water consumption reduction target for effective use of water resources. In the future, we will set targets for individual companies and promote specific initiatives in the cleaning and the deposition and coating businesses, which also have high environmental impacts.

Management of Chemical Substances

Prior to the use of chemical substances in the manufacturing process, we conduct risk assessment, in which the amount of the substance to be used and the protective equipment necessary are confirmed, in an effort to ensure worker safety and minimize the environmental impact. Moreover, in order to ensure compliance with the environmental regulations of various countries concerning products, a cross-organizational team whose members are drawn from quality assurance, procurement, and environmental divisions is playing a central role in establishing a structure for management of chemical substances contained in products, thus ensuring provision of environmentally friendly products. Furthermore, we collect information in order to appropriately respond to environmental laws and regulations, which undergo frequent revisions, and conduct in-house education on chemical substances contained in products for which external lecturers are invited, thus supporting manufacturing in compliance with environmental regulations. This education is not limited to ULVAC's business divisions but also covers our business partners. We are promoting establishment of a management structure covering the entire supply chain.



Briefing on chemical substances contained in products by an external lecturer is held for each division

"ULVAC Green Products" Certification Program for Environmentally Friendly Products

In recent years, climate change and other global issues have become starkly evident and are posing a risk to our lives, let alone business. For companies, it is becoming increasingly important to take environmental considerations into account in order to realize a sustainable society. We have established the ULVAC Green Products certification program to promote environmentally friendly products that make efficient use of resources and are environmentally conscious from every perspective, including the impact of each product life cycle. This program certifies products that satisfy one or more of the evaluation criteria concerning environmentally friendly design that we have independently established and that satisfy the applicable standards. We will continue to release ULVAC Green Products so that our products can contribute to bringing about a better living environment and a more prosperous society.

Evaluation Items

Environmental friendliness elements		Items
Resource conservation and recycling	REDUCE	Reduced parts count
		Space-saving, compact, lightweight, and simplified
		Selection of environmentally friendly materials
		Easy-to-assemble, easy-to-disassemble structure
		Reduced maintenance frequency
		Reduced packaging materials
		Reduced consumption of water resources, such as industrial water
REUSE	Active use of reused and recycled items	
	RECYCLE	Design for recycling
	No use of hazardous chemicals	
Climate action	Reduction of electricity consumption	Reduced electricity consumption
	Reduced consumption of energy other than electricity	Reduced consumption of cooling water, nitrogen, etc. Use of alternatives to greenhouse gases used in the process and reduced use of greenhouse gases
Other		Reduced noise

Participation in the Reforestation Partner System

Based on a strategy for sustainable business, ULVAC is vigorously promoting environmental initiatives. With an emphasis on harmony with the local community, we focus on protecting the ecosystem in the vicinity of our head office and factory located in Kanagawa Prefecture.

Specifically, for the past two years we have been actively participating in the "Reforestation Partner" system promoted by Kanagawa Prefecture to contribute to the protection of local water source forests. Through this partnership, we conduct forest conservation activities three times a year. In particular, in July, we conducted activities in the Yadoriki water source forest located in Ashigarakami-gun, Kanagawa Prefecture. Participants cleared undergrowth and learned about the environment through observation of aquatic life in a rich natural environment in the depths of the forest.

ULVAC's goal for 2050 is to be a company that continues to contribute to creation of a sustainable, environmentally friendly society. To realize this goal, we will promote management that takes the global environment into consideration, and furthermore, we will protect and nurture the ecosystems of local communities so as to fulfill our responsibility to pass on flourishing forests to future generations.

ULVAC's signboard has been installed nearby



Example of Green Products

uGmni-200

Combined deposition and etch modules' system of cluster type for advanced electronics

Relevant items	▶ Space-saving, compact, lightweight, and simplified
	▶ Easy-to-assemble, easy-to-disassemble structure



uGmni-200 is a film deposition system combining several different process modules for sputtering, etching, ashing, and CVD on the same transfer core based on the concept of the use of common parts. As a result of improvement of assembly navigation and layout optimization, the time required for equipment assembly was reduced by over 10% compared with the case of conventional equipment. In future development, we aim to reduce both the footprint and the number of parts. In addition to environmental friendliness, we will promote value engineering (VE) to develop of high-value-added products that facilitate introduction by customers.

Corporate Governance

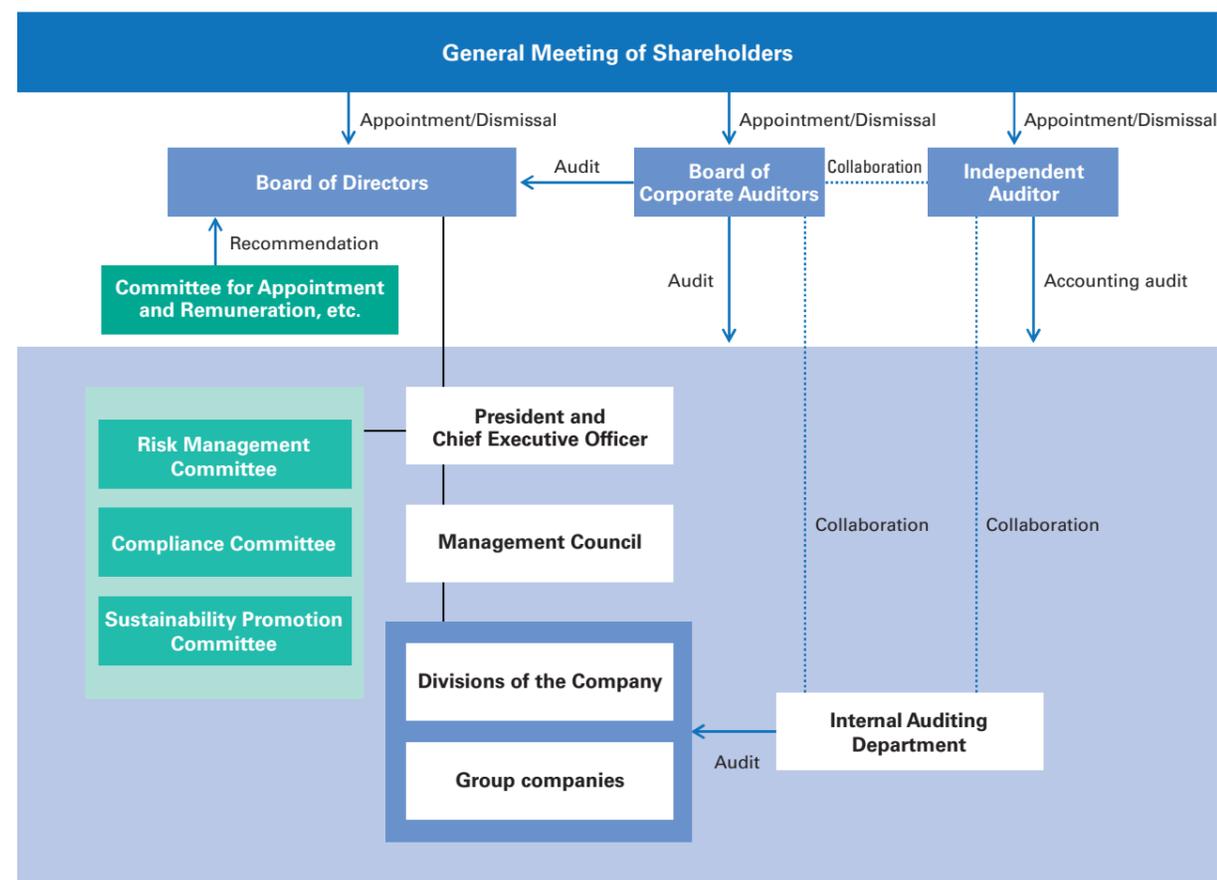
Basic Corporate Governance Policy and Structure

Under its Basic Corporate Philosophy that “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 endeavors to improve its corporate governance with a view toward increasing its corporate value over the medium to long term. From the aforementioned standpoint, the Company values competitive and efficient management by ensuring strict compliance with corporate ethics as well as laws and regulations, while respecting the interests of all stakeholders related to its business activities, including not only shareholders, but also business partners, local communities, and employees.

Overview of the Design of Institutional Structures

- Company with a board of corporate auditors
- Particularly important institutional structures include the Board of Directors, the Management Council, the Board of Corporate Auditors, and the Committee for Appointment and Remuneration, etc.
- Introduced an executive officer system

Corporate Governance Structure



Overview of Meeting Bodies

Board of Directors

Composition	Two internal directors, four independent external directors	It 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. Independent external directors constitute a majority of the Board. The Company is not only able to make swift and efficient judgments concerning important management issues, but is also to achieve fair, impartial, and highly transparent deliberation as well as operational supervision.
Chairperson	President	
Meeting frequency	Once a month (ad hoc meetings as necessary)	
Main agenda		
		<ul style="list-style-type: none"> • Mid-term management plan, plan for a single fiscal year, financial results (including dividends) • Sustainability, risk management, compliance

Committee for Appointment and Remuneration, etc.

Composition	One internal directors, four independent external directors, two independent external auditors	It is a voluntary advisory body for the Board of Directors to discuss important matters that require objective determination in particular, such as the appointment and remunerations, etc. of directors and executive officers. By having such an advisory body for the Board of Directors, we have achieved fair, impartial, and highly transparent deliberations with regard to especially important management decisions and increase the effectiveness of the Board of Directors.
Chairperson	External director	
Meeting frequency	Six times a year	
Main agenda		
		<ul style="list-style-type: none"> • Appointment/dismissal of directors and executive officers, remuneration (including evaluation of individuals) • President succession planning

Board of Corporate Auditors

Composition	Two full-time auditors, two independent external auditors	It performs auditing and supervision of management decision-making and business operations. We ensure full auditing and supervisory functions through close cooperation between auditors and the Internal Auditing Department and the independent auditor, whose independence is ensured, as well as attendance and statement of opinions by auditors at important meetings, such as meetings of the Board of Directors and the Management Council, and regular meetings with the President and Chief Executive Officer. By virtue of this structure, each auditor obtains sufficient information and fulfills rigorous, fair, impartial, and transparent auditing and supervisory functions.
Chairperson	Full-time auditor	
Meeting frequency	Once a month	

Management Council

Composition	Two internal directors, 16 executive officers	Comprising of internal directors and executive officers, the Management Council deliberates on important matters related to business execution based on the management policies decided by the Board of Directors. It holds regular meetings once a month, as well as ad hoc meetings as necessary.
Chairperson	President	
Meeting frequency	Once a month (ad hoc meetings as necessary)	

Risk Management Committee

Chairperson	President	Chaired by the President and consisting of risk control offices designated according to risk classifications, the Risk Management Committee shares information and verifies the operation of the risk management system. It holds regular meetings twice a year.
Meeting frequency	Twice a year	

Compliance Committee

Chairperson	President	Chaired by the President, the Compliance Committee considers measures to prevent compliance violations and to respond to whistleblowing. It holds regular meetings twice a year, as well as ad hoc meetings as necessary.
Meeting frequency	Twice a year (ad hoc meetings as necessary)	

Sustainability Promotion Committee

Chairperson	Executive Officer in charge of sustainability	Chaired by the Executive Officer in charge of sustainability and consisting of internal directors, executive officers, and department heads, the Sustainability Promotion Committee sets sustainability targets, manages progress, considers policies, and discusses initiatives on key themes.
Meeting frequency	Twice a year	

Corporate Governance

Directors' Remuneration

The Company's policy on determining the individual remuneration, etc. of directors is that the determination of the remuneration of each director should take into consideration the responsibility of that director not only for the Company's non-consolidated business results for a single fiscal year, but also for the sustainable enhancement of the corporate value of the ULVAC Group. In addition, multiple remuneration elements are evaluated in combination in order to appropriately reflect the contributions of each director according to their respective responsibilities, whereby it is ensured that the remuneration, etc. of each director is at an objectively appropriate level.

As described above, the Committee for Appointment and Remuneration, etc. comprehensively examines and reviews the proposals concerning the remuneration standards and evaluations of individual internal directors submitted by the Board of Directors in light of the Company's policy on determining the content of remuneration, etc. of individual directors, and submits recommendations to the Board of Directors, which then determines the amounts of remuneration, etc. of individual directors while according due respect to the committee's recommendations. Therefore, the Company believes that remuneration, etc. of individual directors is in line with the determination policy.

Composition of remuneration of internal directors	
Basic remuneration	Fixed remuneration paid in a fixed amount every month based on the remuneration standards set for each executive position
Annual performance-linked remuneration	Primarily in order to motivate each internal director to work harder to improve the performance in each fiscal year, this remuneration is determined based on criteria determined with reference to performance indicators such as the Company's non-consolidated operating profit margin, taking into account an evaluation of each internal director's degree of contribution and achievement of duties.
Stock-based remuneration	Primarily in order to motivate each internal director to contribute more to the performance and increase of corporate value of the ULVAC Group over the medium to long term, this remuneration is determined with reference to the standards set for each executive position, based on the degree of achievement of performance targets in terms of consolidated operating profit for a single fiscal year covered under the mid-term management plan as a calculation indicator.

Evaluation of the Effectiveness of the Board of Directors

In an effort to enhance the functions of the Board of Directors and thus ultimately to increase our corporate value, we ask individual directors and auditors to assess the Board's effectiveness annually by themselves, in which each director and auditor directly gives replies to an external organization to ensure anonymity.

The Board of Directors carries out an analysis and evaluation based on the aggregated results reported by the external organization.

While we determined that, as a result of the analysis and evaluation of the effectiveness of the Board of Directors in FY 2022, the Board's effectiveness has been maintained, we will continuously strive to improve the Board's effectiveness by taking into account the recommendations about the enhancement of deliberations on business portfolio, etc.

Policy on Selection of External Directors and Auditors

ULVAC gives consideration to the desirable balance and diversity of the knowledge, experience, and skills of the members of the Board of Directors, as well as appropriateness of its size, with a view to enhancing its effectiveness through multifaceted deliberations. Candidates for directors are carefully selected by the Board of Directors in consideration of the aforementioned aspects. The Company also gives consideration to optimizing the board size for speedy decision-making.

Selection Criteria for External Directors and Auditors	The Company's selection criteria for external directors and external auditors are not limited to those stipulated by laws and regulations but also emphasize the attributes that can be expected to enable external directors/auditors to provide useful opinions, such as experience as corporate managers and expertise in law and accounting, etc. In addition, from the perspective of fairness, the Company comprehensively considers whether there is any conflict of interest with the Company. Moreover, in order to ensure the fairness of the opinions of the independent outside directors, the Company applies the independence criteria determined by the Company.
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Principal Activities of External Directors and Auditors in FY 2022

Name of external director/auditor	Reasons for selection as an external director/auditor	Attendance and principal activities
Hiroyuki Nishi	To receive valuable opinions based on his extensive experience and broad insight, primarily in risk management	Attended all 13 meetings of the Board of Directors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, based on his extensive experience and sophisticated insight as a corporate manager of other companies both in Japan and overseas.
Norio Uchida	To receive valuable opinions based on his extensive experience and broad insight, primarily in international sales activities	Attended all 13 meetings of the Board of Directors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, based on his extensive experience and sophisticated insight as a corporate manager of other companies both in Japan and overseas.
Dr. Kozo Ishida	To receive valuable opinions based on his extensive experience and broad insight, primarily in research and development	Attended all 13 meetings of the Board of Directors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, based on his extensive experience and technical expertise as a corporate manager of other companies both in Japan and overseas.
Yoshimi Nakajima	To receive valuable opinions based on her extensive experience and broad insight, primarily in international sales activities	Attended all 13 meetings of the Board of Directors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, based on her extensive experience and sophisticated insight as a corporate manager of other companies both in Japan and overseas.
Senshu Asada	To receive valuable opinions based on his extensive experience and expertise as an attorney	Attended all 13 meetings of the Board of Directors and all 19 meetings of the Board of Corporate Auditors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, mainly from a specialist perspective as an attorney.
Isao Utsunomiya	To receive valuable opinions based on his extensive experience and expertise as a certified public tax accountant	Attended all 13 meetings of the Board of Directors and all 19 meetings of the Board of Corporate Auditors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, mainly from a specialist perspective as a certified public tax accountant.

Initiatives to Ensure the Effectiveness of Audit

The Board of Corporate Auditors held a total of 19 meetings during FY 2022, at which important audit-related matters including agendas for meetings of the Board of Directors were reported and discussed. Based on the discussions at meetings of the Board of Corporate Auditors and the expertise of individual auditors, auditors provide recommendations to directors of the Company as appropriate and necessary, including at meetings of the Board of Directors. In addition, the Company secures opportunities for auditors to regularly exchange opinions with directors, the Internal Auditing Department, and the independent auditor on wide-ranging matters such as compliance and the status of establishment of internal control. The Company ensures that auditors are provided with the information necessary to carry out audits, and that they attend meetings that it is necessary for them to attend from the perspective of ensuring the acquisition of such information.

Training Policy for Directors and Auditors

The Company appropriately provides its directors and auditors with opportunities for training that is deemed necessary for them to fully and appropriately fulfill the roles and responsibilities that are expected of them.

Newly appointed external directors receive explanations regarding management strategy, financial standing, management issues, and other important matters, and are given opportunities to acquire knowledge and insight through tours, etc. of business sites, as appropriate, for the purpose of obtaining a deeper understanding of the ULVAC Group.

For newly appointed auditors, the Company provides training opportunities equivalent to those for newly appointed directors upon the request of the auditors. After they take office as directors and auditors, the Board of Directors provides them with opportunities to receive explanations regarding business strategies, management issues, and related matters of each business every year. The Company also provides them with financial support for trainings that are deemed necessary for them to fulfill their duties and encourages them to enhance their expertise. These training opportunities are continually reviewed and updated, as necessary.

External Directors Roundtable Discussion

Based on a Sure Grasp of the Issues, Supporting
ULVAC's Growth from an External PerspectiveHiroiyuki Nishi
External DirectorNorio Uchida
External DirectorYoshimi Nakajima
External DirectorKozo Ishida
External Director

Having completed the previous mid-term management plan, which was launched in FY 2020, ULVAC has launched a new plan targeting new growth. What did ULVAC achieve, what issues are left unresolved, and what has changed in the past three years?



Hiroiyuki Nishi External Director

Became an External Director of the Company in September 2020 after serving as Director of Nippon Life Insurance Company, President and Chief Executive Officer of Nissay Asset Management Corporation, and President and Chief Executive Officer of Nissay Credit Guarantee Co., Ltd.

Looking back on the previous mid-term management plan, what is your take on the achievements? Also, what are the issues that remain to be addressed under the new mid-term management plan?

Nishi: ULVAC achieved gratifying results until the second year of the previous mid-term management plan, although the profit target for the final year was not achieved. Meanwhile, ULVAC formulated Vision 2032, clearly plotting its long-term trajectory, which is noteworthy.

I think the ability to get the job done (ability to execute) was insufficient. In terms of their mentality, ULVAC Group companies should be predisposed to share their respective problems, risks, strengths, etc. throughout the Group. "Visualization" of quantitative management of initiatives is necessary so that departments and employees take ownership.

In terms of risk awareness, the impact of longer parts delivery lead times was already evident two years ago. ULVAC should have been more acutely aware of this and taken action earlier. As for global business development, it would be prudent to recognize the need to mitigate geopolitical risks. Given the continuing U.S.-China economic confrontation, overdependence on business in China should be avoided.

However, while these matters do require attention and improvement, looking to the future, there is plenty of room for growth. During the three years of the new mid-term management plan, I expect ULVAC to undergo a transition and strike out in new ways as it advances to the next phase.

Uchida: During the three years of the previous mid-term management plan, the direction in which ULVAC should proceed has been clarified through a top-down approach. Although a "corporate culture of thinking" has been inculcated, issues remain in terms of execution capabilities. I think ULVAC needs to cultivate a "corporate culture of getting things done."

New businesses such as equipment for EV batteries have achieved growth. ULVAC has engaged in several joint research projects with universities and battery manufacturers while maximizing the use of its internal resources. Joint development and alliances with external parties should be expanded in various forms worldwide. I want ULVAC to maintain a long-term perspective and continue to create innovation.

ULVAC's financial constitution is sound. However, I believe "visualization through quantitative management" is necessary in order to grasp the progress of initiatives, such as those to strengthen manufacturing capabilities, in fine-grained detail.

Moreover, marketing will become increasingly important amid accelerating global business development. So, there is an urgent need to develop and acquire global human resources capable of envisioning scenarios from a broad perspective.

Ishida: I completely agree with both of you. ULVAC now has a good grasp of the various issues it needs to address. Firstly, it is commendable that ULVAC achieved the initial target for net sales under the previous mid-term management plan through its tenacious efforts. Looking at the three-year performance, not just the final year, we can say that ULVAC's results were quite good. In the past, poor performance of a particular division would have a major impact, undermining the performance of the company as a whole. This is no longer the case. Indeed, ULVAC's management has become more resilient.

Secondly, ULVAC made steady progress with regard to investment in development. In FY 2022, R&D cost amounted to ¥13.8

billion (6.1% of net sales) and R&D capital investment was ¥11.9 billion (5.2% of net sales). Together they accounted for more than 10% of net sales. Concentration of resources on the semiconductor-related business, which is a growth driver, has been yielding good results.



Norio Uchida External Director

Became an External Director of the Company in September 2015 after serving as Representative Director, President & CEO of TOPCON CORPORATION.

Thirdly, I think ULVAC's absorption-type merger of two Japanese manufacturing subsidiaries is an astute move. As "ONE ULVAC," a sense of unity has been created throughout the company. I would like to see ULVAC's initiatives link this momentum to productivity improvement of manufacturing operations in Japan.

On the other hand, ULVAC is still oriented toward Japan and the global perspective is weak. Regarding optimization of production, it will be increasingly necessary to adopt a global perspective, which means tackling optimization of not only Japanese sites but also overseas sites. I feel ULVAC is not up to speed when it comes to integrating production systems and sharing data across the Group, including overseas sites. Faster action is desirable to transform the portfolio of the FPD production equipment business and to improve productivity of the electronic device production equipment operation.

Nakajima: Several unexpected developments occurred over the past three years. It is regrettable that ULVAC's responses to them have been inadequate.

Everyone has focused on the ability to execute. Likewise, I also want to see ULVAC adopt a "get it done" attitude. The numbers show the results of initiatives. ULVAC should enforce targets as yardsticks of progress and

Based on a Sure Grasp of the Issues, Supporting ULVAC's Growth from an External Perspective

tackle them by setting priorities. Although initiatives are diligently carried out, analysis of reasons for the achievement or non-achievement of plans seems to be insufficient. To deal with this, management's mindset must be changed. I believe the corporate culture will change if leaders speak up, expressing themselves in their own words, and encourage dialogue among organizations. ULVAC has just become aware of such internal problems. In order to facilitate proactive change, both personnel and organizational approaches will be necessary. This is an area in which I have high hopes that the HQ system will prove to be effective.



Yoshimi Nakajima External Director

Became an External Director of the Company in September 2018 after serving as Vice President of Citibank, N.A., Senior General Manager of Societe Generale Securities Services, and President and Representative Director of American Express Japan Co., Ltd.

So, what points should we keep in mind in order to maximize the effectiveness of the HQ system introduced in FY 2023?

Nakajima: The HQ system introduced from the current fiscal year will be an effective organizational strategy, only if authority and responsibility are clarified and the skills required of human resources are also clarified. I think we must not lose sight of these prerequisites for success.

Nishi: I have great expectations of the switch to the HQ system that is designed to facilitate cross-organizational initiatives.

I believe ULVAC has established a system to firmly implement the PDCA cycle. Of course, as Ms. Nakajima pointed out, care should be taken to ensure that the reorganization doesn't become simply a matter of form. At the same time, it will be necessary to "visualize" the initiatives and share them throughout the

company. The new mid-term management plan continues several of the themes of the previous mid-term management plan. In other words, the next three years will be a period in which ULVAC will once again take on the challenge of capturing growth opportunities and improving the profit margin, and the entire Group is urged to "get it done." In regard to the introduction of the HQ system, as well as the timing of this move, President Iwashita's determination to make it a resounding success was impressive.

Ishida: The introduction of the HQ system is highly significant in terms of expanding product fields and responding to global business development. I have high expectations of the HQ system. I would like to see smooth collaboration among organizations to achieve results. "People" are the key to success. Human resources must be secured and deployed to maximum effect. It is also important to promote mutual understanding and cooperation among organizations based on priority management for the entire Group. In order to implement the planned production that ULVAC is working on under the new mid-term management plan, the system needs to be restructured, including the approach to inventory management. I would like to see ULVAC strengthen collaboration among Group companies and HQs, and to design and establish a production system capable of contributing to further enhancement of ULVAC's corporate value.

Uchida: Success in putting this organizational theory into practice hinges on speedy management decision-making and information sharing. And as Dr. Ishida commented, ULVAC has to get this done worldwide, not just in Japan. ULVAC should select and deploy human resources who have what it takes to manage the business, although this is easier said than done.

Ishida: ULVAC needs to think about deployment of global human resources.

Uchida: Developing human resources, especially people who can handle marketing and global management, is a very time-consuming endeavor. In my opinion, ULVAC should vigorously promote excellent global human resources to key positions and give them room to demonstrate their full potential in achieving an effective future-oriented organization.

Nakajima: For those who have never experienced global management, I think it tends to be pie in the sky. Negotiations between organizations based on priority management are also very different from how things are typically done in Japan.

Nishi: Going forward, there is an urgent need for a break with the past as regards assignment and development of human resources.

As an external director, what contribution do you hope to make to ULVAC's future growth?

Nakajima: In our roles as external directors, I believe the four of us are deepening discussion at the Board of Directors by drawing on our respective expertise.

As indicated on the skills matrix, my expertise as an external director centers on "corporate management," "global," and "sales and marketing." I often express my opinions on human resources systems, evaluation, and succession planning, and I also serve as chairman of the Committee for Appointment and Remuneration, etc. In addition, I have been encouraging ULVAC on diversity, including the active participation of women, and will continue to do so.

Nishi: As well as experience in management, I have expertise in risk management gained at an insurance group, including in asset management. I would like to contribute to execution of the new mid-term management plan by offering advice based on my experience and expertise. I have a particular interest in identifying and managing risk and in the connection between risk and business results. That is the perspective from which I intend to offer my opinions, rather than simply being risk-averse.

Focusing on the PDCA cycle of initiatives, I would like to make myself useful by helping to identify the reasons why plans remain unfulfilled and problems arise, and in implementing measures to deal with these issues.

Ishida: Concerning the stance of external directors, I don't think they should be constrained by their formal role of "monitoring management as a representative of stakeholders." Rather, by having as much two-way communication as possible, I want

to learn about the business and the corporate culture by putting myself in the shoes of those who work at ULVAC.

So, more opportunities for communication with people in the company would be welcome. I would like to vigorously exchange opinions and offer advice with my interlocutors to support the execution of the new mid-term management plan.



Dr. Kozo Ishida External Director

Became an External Director of the Company in September 2016 after serving as Vice Chairman and Representative Director of HORIBA, Ltd.

Uchida: Many listed companies appoint lawyers, accountants, university professors, and the like as external directors, but all four of us, who serve as ULVAC's external directors, have experience as corporate managers, which is very unusual. This may be one reason why in-depth discussion of management issues is the norm at ULVAC's Board of Directors meetings and why those meetings are so valuable, interesting, and meaningful.

I have experience in conducting M&A, centering on overseas deals, as CEO of a company. Mr. Nishi, Dr. Ishida, and Ms. Nakajima also have extensive experience and knowledge. As ULVAC moves forward with its initiatives under the new mid-term management plan, I think we can support ULVAC by offering a good advice.

We can also offer advice on compliance and corporate governance, making timely interventions to confirm that all is as it should be. Each of us is committed to fulfilling our responsibilities as an external director, aiming to be someone whom the younger generation, the future leaders of ULVAC, will consult and seek advice from.

Management Structure

Directors



Setsuo Iwashita
President and Chief Executive Officer

Expertise/experience: Corporate management, Global, Sales/marketing

March 1984 August 1992: Joined the Company, Manager of Beijing Business Office and Shanghai Business Office, Overseas Operation Division

September 1995: Director and Chief Executive Officer of ULVAC (NINGBO) CO., Ltd.

July 1998: General Manager of Chinese Region, Asia Division of the Company

March 2006: Director and Chief Executive Officer of ULVAC (CHINA) HOLDING CO., LTD.

October 2006: Chairman of ULVAC (Shanghai) Trading Co., Ltd.; Chairman of ULVAC (SUZHOU) CO., LTD.

September 2011: Director of the Company

July 2012: Director and Executive Officer

September 2013: Managing Executive Officer

July 2015: Senior Managing Executive Officer of the Company; Chairman of ULVAC (CHINA) HOLDING CO., LTD.

July 2016: Senior Managing Executive Officer and Senior Manager of Management Planning Department of the Company

September 2016: Director and Senior Managing Executive Officer, Senior Manager of Management Planning Department

July 2017: President and Chief Executive Officer

January 2019: President and Chief Executive Officer and General Manager of Human Resource Center

July 2020: President and Chief Executive Officer (current position)



Dr. Choong Ryul Paik
Senior Managing Director

Expertise/experience: Corporate management, Global, R&D/technology/manufacturing

April 1991: Joined the Company

September 1999: Joined ULVAC KOREA, Ltd. as Senior Director

September 2000: President of ULVAC KOREA, Ltd.

September 2012: Executive Officer of the Company

July 2015: Managing Executive Officer

September 2016: Chairman of ULVAC KOREA, Ltd. (current position)

July 2018: Managing Executive Officer, Senior General Manager of R&D Headquarters of the Company

September 2018: Director and Managing Executive Officer, Senior General Manager of R&D Headquarters

July 2019: Director and Managing Executive Officer, General Manager of Innovation Center of Excellence

July 2020: Senior Managing Director (in charge of Innovation) of the Company; President and Chief Executive Officer of ULVAC-PHI, Inc.

July 2021: Senior Managing Director (in charge of Innovation) of the Company; Chairman of ULVAC-PHI, Inc.

July 2022: Senior Managing Director (in charge of Innovation) of the Company (current position)



Hiroyuki Nishi
Director

External, Independent

Expertise/experience: Corporate management, Global, Legal affairs/risk management

April 1983: Joined Nippon Life Insurance Company

March 2007: General Manager of International Planning & Operations Dept. and General Manager of China Office

March 2010: Executive Officer, General Manager of Europe, Deputy Director-General and General Manager of London Representative Office

July 2011: Director and Executive Officer, General Manager of the Americas, General Manager of Europe, Deputy Director-General, and General Manager of New York Representative Office

March 2014: Director and Managing Executive Officer, General Manager of International Planning & Operations Dept., General Manager of the Americas, General Manager of Europe, and General Manager of Asia

March 2017: Director and Senior Managing Executive Officer, General Manager of the Americas, General Manager of Europe, and General Manager of Asia

March 2018: Director

March 2018: President and Chief Executive Officer of Nissay Asset Management Corporation

March 2020: Advisor of Nissay Credit Guarantee Co., Ltd.

April 2020: President and Chief Executive Officer (current position)

September 2020: External Director of the Company (current position)



Norio Uchida
Director

External, Independent

Expertise/experience: Corporate management, Global, Sales/marketing

April 1973: Joined Tokyo Optical Co., Ltd. (currently TOPCON CORPORATION)

June 1980: General Manager of Topcon Singapore Pte. Ltd.

February 1989: President of Topcon Australia Pty Ltd.

October 1994: Senior Vice President of Topcon Laser Systems, Inc. (currently Topcon Positioning Systems, Inc.)

July 1999: President of Topcon Laser Systems Japan, Inc.

June 2003: Executive Officer of TOPCON CORPORATION

July 2003: Director and President of Topcon Sales Corporation (currently TOPCON SOKKIA POSITIONING JAPAN CO., LTD.)

June 2005: Director and Executive Officer of TOPCON CORPORATION

June 2007: Director and Managing Executive Officer

June 2010: Director and Senior Managing Executive Officer

June 2011: Representative Director, President & CEO

June 2013: Advisor to the Board

June 2015: External Director of Nabtesco Corporation

September 2015: External Director of the Company (current position)



Dr. Kozo Ishida
Director

External, Independent

Expertise/experience: Corporate management, Global, R&D/technology/manufacturing

March 1970: Joined HORIBA, Ltd.

June 1982: General Manager of Product Department I, Development and Sales Division

March 1985: President and Director of HORIBA Europe GmbH (Germany)

June 1988: Director of HORIBA, Ltd.

June 1991: Managing Director

June 1996: Senior Managing Director

July 2001: President and Director (CEO) of ABX, S.A. (currently HORIBA ABX SAS) (France)

June 2002: Vice President and Director of HORIBA, Ltd.

June 2005: Executive Vice President and Representative Director

March 2011: Director and Advisor of HORIBA STEC Co., Ltd.

March 2014: Vice Chairman and Representative Director of HORIBA, Ltd.

March 2016: Senior Advisor

September 2016: External Director of the Company (current position)

March 2017: External Director of Seiko Electric Co., Ltd. (current position)

April 2018: Fellow of HORIBA, Ltd.



Yoshimi Nakajima
Director

External, Independent

Expertise/experience: Corporate management, Global, Sales/marketing

April 1980: Joined The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)

February 1982: Joined AVON PRODUCTS CO., LTD.

May 1997: Joined Citibank, N. A. as Vice President

June 2000: Joined Societe Generale Securities Services as Senior General Manager

April 2002: Joined American Express International, Inc. as Vice President in charge of Global Traveler's Check & Prepaid Card Service, Japan Branch

August 2011: Country Manager in Singapore (President)

February 2014: Senior Vice President of Japan Branch

April 2014: President and Representative Director of American Express Japan Co., Ltd.

June 2017: External Director of Yamaha Corporation; External Director of AEON Financial Service Co., Ltd. (current position)

June 2018: External Director of Japan Freight Railway Company (current position)

September 2018: External Director of the Company (current position)

April 2021: Outside Director of Sekisui House, Ltd. (current position)

Specially-Appointed Professor of the Graduate School of Project Design (current position)

Auditors



Kazuya Saito
Auditor

Expertise/experience: R&D/technology/manufacturing

April 1983: Joined the Company

July 1996: Manager of Vacuum Materials Laboratory, Tsukuba Institute for Super Materials

October 2000: Senior Manager of No. 3 Research Department, Chiba Institute for Super Materials

July 2005: General Manager of Chiba Institute for Super Materials

September 2009: Director, General Manager of Chiba Institute for Super Materials

July 2012: Director and Executive Officer, General Manager of Technology Planning Department

September 2013: Executive Officer, General Manager of Technology Planning Department, General Manager of Institute for Super Materials

July 2018: Senior Executive Officer, General Manager of Institute for Semiconductor and Electronic Technology

July 2021: Officer, Assigned to Strategic Planning Department

September 2022: Full-time Auditor (current position)



Yuji Morijiri
Auditor

Expertise/experience: Finance/accounting

April 1990: Joined Nippon Life Insurance Company

March 2012: General Manager of 2nd Tokai Corporate Relations Management Department

March 2017: General Manager of Group Annuities Department

March 2019: General Manager of 1st Corporate Relations Management Department

April 2023: Joined the Company, Senior Manager, Assigned to Management Planning Department

September 2023: Full-time Auditor (current position)



Isao Utsunomiya
Auditor

External, Independent

Expertise/experience: Finance/accounting

April 1997: Registered as Certified Public Tax Accountant

July 1999: Opened Isao Utsunomiya Certified Public Tax Accountant Office

June 2011: Manager of Welfare Department of Kyobashi Branch, Tokyo Certified Public Tax Accountants' Association

June 2012: Representative Partner of Tsukiji Accounting Tax Corporation (current position)

June 2013: Director of Tokyo Certified Public Tax Accountants' Association

June 2015: Director and Deputy Manager of General Administration Department

June 2017: Manager of General Administration Department of Kyobashi Branch

September 2017: External Auditor of the Company (current position)

June 2019: Deputy General Manager of Kyobashi Branch, Tokyo Certified Public Tax Accountants' Association (current position)



Soya Honda
Auditor

External, Independent

Expertise/experience: Legal affairs/risk management

December 2007: Registered as an attorney

April 2008: External assistant teacher of Chuo Law School (current position)

April 2012: Auditor of Tokyo Judo Federation (current position)

April 2016: Secretary-General of Certification and Evaluation Department of Japan Law Foundation

September 2016: External Corporate Auditor of bBreak Systems Co., Ltd. (current position)

November 2021: External Corporate Auditor of Ides Co., Ltd. (current position)

April 2022: Founder and Director of Soya Honda Law Office (current position)

September 2023: External Auditor of the Company (current position)

Composition of Key Organizations and Skills Matrix

Position	Name	Composition of key organizations				Expertise/experience*2					
		Board of Directors	Board of Corporate Auditors	Management Council*1	Committee for Appointment and Remuneration, etc.	Corporate management	Global	Sales/marketing	R&D/technology/manufacturing	Finance/accounting	Legal affairs/risk management
President and Chief Executive Officer	Setsuo Iwashita	●		●	●	●	●	●			
Senior Managing Director	Dr. Choong Ryul Paik	●		●				●			
External Director	Hiroyuki Nishi	●			●	●	●				●
External Director	Norio Uchida	●			●	●	●				
External Director	Dr. Kozo Ishida	●			●	●	●	●			
External Director	Yoshimi Nakajima	●			●	●	●				
Full-time Auditor	Kazuya Saito	●	●	●				●			
Full-time Auditor	Yuji Morijiri	●	●	●					●		
External Auditor	Isao Utsunomiya	●	●		●				●		
External Auditor	Soya Honda	●	●		●						●

● Chairperson ● Chairperson ● Observer
 *1 In addition to the above, executive officers are members of the Management Council.
 *2 Main expertise and experience of each director and auditor are indicated. The above table summarizes the areas regarding which the Company has particular expectations, and is not a description of all their expertise and experience.

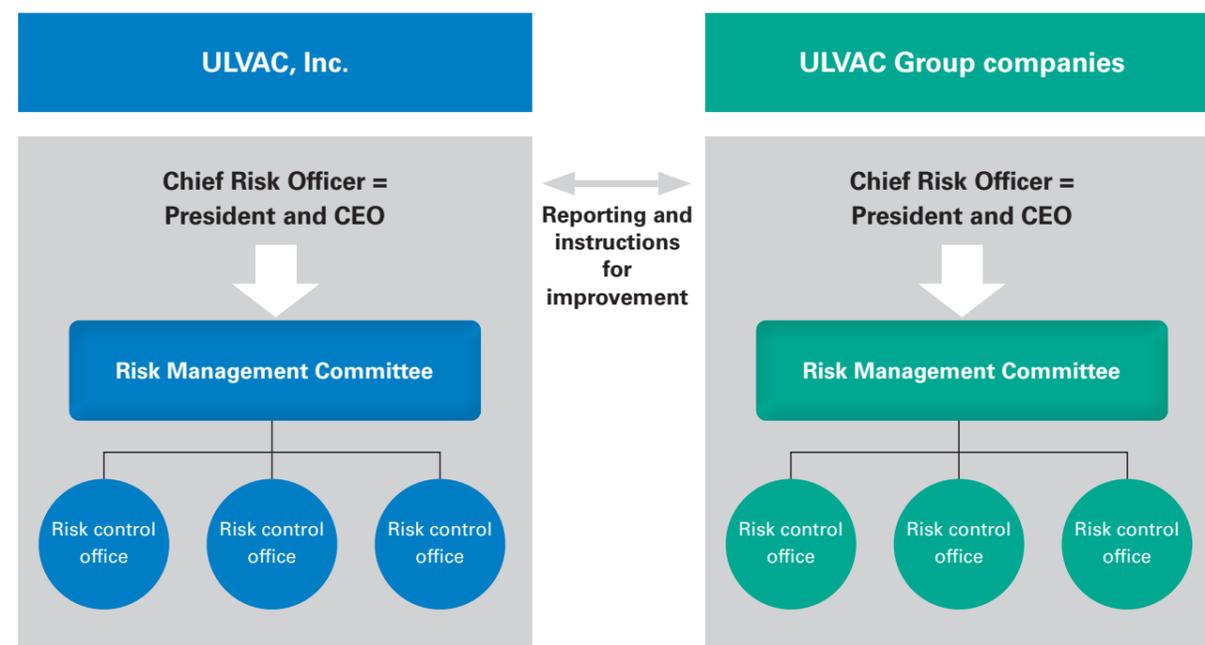
Risk Management

The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long-term improvement of corporate value. We are expanding systems that can respond appropriately to risk factors through identification, classification, analysis, and evaluation, and we are working to increase corporate value by reflecting them in our management strategy.

Risk Management System

We have established rules concerning the risk management system, classifying a broad range of risks from various perspectives, and designated the control offices primarily responsible for risk management according to the classification of risks. Furthermore, these risk control offices identify more specific risks and respond to them. We work to ensure that these offices efficiently gather information that is important for operating the risk management system. In addition, in order to share and evaluate information concerning the operation of the risk management system on a company-wide basis, we have a Risk Management Committee, which is chaired by the president, and mainly comprises representatives of the risk control offices with primary responsibility for risk management. The Risk Management Committee holds regular meetings as an umbrella organization for risk management, and it determines company-wide basic policies, monitors the state of management and administration, and considers any improvements that can be made, etc. Furthermore, initiatives at ULVAC, Inc. are implemented at ULVAC Group companies as appropriate for the scale and business type of the company in question.

Risk Management System



- Risk control offices are designated according to risk classifications and they implement risk management through a PDCA cycle.
- Each Group company decides whether it is necessary to establish a Risk Management Committee in consideration of the size of the company in question and other factors.

Management of Risks

Principal risks are identified that may have a significant impact on financial position, business results, and cash flows and are described below. ULVAC examines measures to reduce these risks and utilize them as opportunities through discussion at a decision-making body such as the Management Council.

Recognized Risks in Business, etc.

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

Market Fluctuation

The Group has acquired its market share and achieved growth by developing unique technologies and introducing them in the field of vacuum equipment used, in particular, in FPD, semiconductor, and electronic device production processes. On the other hand, if a great reduction in capital investment occurs or customers' financial conditions deteriorate owing to change in the market conditions of FPD manufacturers, or semiconductor and electronic device manufacturers, who are the Group's customers, the Group's business results and financial position may be adversely affected.

In the mid-term management plan launched in July 2023, the Group set a twofold basic policy: "Creating Social Value through Vacuum Technology" and "Enhancing Profit and Capital Efficiency Oriented Management" Under the basic policy, even in the case of market fluctuation, we aim to improve profitability by enhancing productivity and achieve sustainable growth by focusing on development in growth fields. Our diverse products are used in a wide range of fields. We will enhance our ability to respond to market fluctuations by building a stable revenue base centering on the semiconductor and electronic component fields.

Research and Development

By maintaining vigorous R&D investment, the Group has continued to introduce a stream of new products that incorporate the latest technologies. However, if development is significantly delayed for a compelling reason, resulting in delay in introduction of new products to the market, the Group's business results and financial position may be adversely affected.

The Group is accelerating development, which is necessary for growth, through selection and concentration of investment. At the same time, periodic monitoring is implemented for progress management in order to prevent significant delay in development.

Global Competitive Environment

The Group operates business globally and provides products to customers in various countries and regions, but competitors also operate globally, and it is a competitive environment with new entrants. In such an environment, competition is intensifying not only in terms of product performance but also price, and the Group's business results and financial position may be adversely affected.

The Group is striving to maintain competitiveness by sharing its technology and product roadmap with customers and launching products using cutting-edge technologies at the appropriate time.

Securing of Human Resources

The Group considers the securing of human resources to be the most important factor determining the Group's ability to continue to grow in the global business environment. If the Group is unable to continue to secure the human resources necessary for business growth, competitiveness will decline, and the Group's business results and financial position may be adversely affected.

The Group views human resources as "human assets" and strives to create opportunities for diverse human resources to continue to take on challenges. We secure the necessary human resources by promoting development of human resources and health and productivity management and other measures to ensure that diverse human resources in excellent physical and mental health and good spirits can demonstrate their abilities to the fullest.

Compliance

We emphasize not only compliance with laws and regulations but also compliance with internal codes and ethical codes. As well as conducting awareness-raising activities so that each person in the ULVAC Group acts with a spirit of compliance, we have established and are operating a range of institutions and regulations to ensure thorough compliance.

Corporate Code of Conduct

In order to further promote fair and highly transparent corporate management, ULVAC has established the Corporate Code of Conduct, to which all officers and employees are required to adhere, and conducts education. In addition, booklets are distributed to Group companies to raise awareness about the importance of compliance. We use this Corporate Code of Conduct as guidelines for asking ourselves whether our business conduct is "in the best interest of our customers," "correct in light of laws and social ethics," and "does not infringe human rights."



Compliance Education

We conduct company-wide education on compliance, prevention of insider trading, prevention of harassment, prevention of misconduct in research activities, etc., for all employees of ULVAC, Inc. every year and the attendance rate is 100%. The education is designed to raise awareness not only in terms of knowledge but also to enable our employees to act appropriately.

Whistleblowing System

In addition to a whistleblowing system operated via the Manager of the Internal Auditing Department for which independence is secured in accordance with the Whistleblower Protection Act, we have also established an external whistleblowing contact. The system is structured such that confidentiality is ensured throughout the process of investigating the content of reports. By putting in place a whistleblowing system that allows whistleblowers to feel secure in their reporting, we aim to detect any misconduct early and take appropriate corrective action.

After a whistleblower report has been received, the initial response is for the Compliance Committee of ULVAC, Inc. to conduct an investigation in order to establish the facts. This investigation is particularly mindful of fairness, and is conducted judiciously and thoroughly. If necessary, assistance may be sought from external specialists, and thorough interviews that are as wide-ranging as necessary are conducted and analyzed.

The president chairs the Compliance Committee and the members of the Committee observe a strict duty of confidentiality in carrying out their duties.

Handling of Violations

In the event that, based on the results of an investigation by the Compliance Committee, it is deemed that a violation of laws or regulations has been committed, then the opinion of an external specialists, such as a lawyer, may be sought as necessary, steps will be taken to ensure that the violation ceases with immediate effect and improvement measures will be implemented, and those involved in the violation will be dealt with after deliberation by the appropriate bodies. In addition, the root causes of the violation are also investigated in order to formulate effective measures for preventing recurrence.

Corporate Code of Conduct

1	Excellent Products, Services, and Safety	10	Assurance of Safe and Healthy Work Environment
2	Sound, Corporate Association with Business Partners and Affiliated Companies	11	Compliance with Laws or Ordinances
3	Promotion of Maintenance of Fair and Free Competition	12	Insulation from Anti-Social Forces
4	Protection of Intellectual Property Rights	13	Disclosure of Information
5	Corporate Secrets	14	Global Environmental Protection
6	Client Information	15	Local Contribution
7	Respect for Employees' Personality and Individuality	16	Global Business Activities
8	Respect for Privacy	17	Thorough Implementation of Corporate Ethics
9	Respect for Human Rights and Nondiscriminatory Treatment	18	Pronouncements by Individuals

With Our Stakeholders

In order to resolve social issues and co-create sustainable corporate value, we vigorously engage in dialogue with stakeholders and respond in a timely manner to changes in the market and business environment in which ULVAC operates.

Dialogue with Employees

At the start of a new fiscal year and at the New Year's reception, video messages from the ULVAC president and senior management are distributed to all Group companies in order to share ULVAC's status and policies with employees, including those overseas. A questionnaire survey is conducted coinciding with each such video message to check the level of employees' understanding and collect their opinions, which are then fed back to management and reflected in the planning of the next video project.

Collaboration with Business Partners

Through various briefings and information exchanges, we strive to share information relevant to business and request our business partners for their understanding and cooperation in enhancing communication on CSR procurement.

[For details](#) [P.47](#) Procurement

For Customer Satisfaction

In order to enhance customer satisfaction, we strive to improve the quality of our products and services based on the quality management system in accordance with the ISO 9001 standard. ULVAC's 31 Group companies obtained ISO 9001:2015 certification for the integrated management system. Quality management is promoted by way of thorough analysis of nonconformities that occurred at a process within the process, implementation of recurrence prevention measures, feedback of findings, implementation of preventive measures, and process standardization activities. Furthermore, in order to achieve customer satisfaction in all phases from product delivery to disposal, we are working to reduce running costs, shorten lead times, and provide prompt, high-quality customer support.

[For details](#) [Website > Sustainability > Quality Assurance and Product Safety](#) [For details](#) [P.20](#) Customer Support

Dialogue with Shareholders and Investors

We strive to provide our shareholders and investors with timely, fair, and easy-to-understand information about the Group's mid-term management plan, growth strategy, and financial condition, in order to facilitate their understanding.

Regarding investor relations, in addition to quarterly financial results briefings, we actively offer opportunities for dialogue by organizing technical seminars, taking part in conferences sponsored by securities companies both in Japan and overseas as well as seminars for individual investors, and holding road shows overseas, plant tours, and personal interviews.

We disclose financial results briefing materials and summaries of Q&A sessions, integrated reports, fact sheets, etc. on our website. We strive to enrich disclosure information and for swifter disclosure. From the viewpoint of fair disclosure, we disclose information in Japanese and in English simultaneously to the extent possible.

Evaluations and opinions obtained through dialogue with shareholders, investors, and analysts are collected and summarized on a regular basis and are reported to the Board of Directors and at the Management Council to share them with management, depending on the importance and nature of such opinions, so as to reflect them in improvement of management measures, etc.

We will continue our efforts to strengthen communication with shareholders and investors through vigorous IR activities, with the aim of realizing sound corporate management and maximizing corporate value.

IR activities	Results in FY 2022
Financial briefing	4 times
IR interviews with institutional investors and analysts	Approx. 690 persons
Participation in conferences for overseas institutional investors	28 conferences
IR interviews on road shows overseas	20 interviews
Plant tours	9 times
Seminars for individual investors	3 times

Dialogue with Local Communities

In addition to contributing to society through our core business, we strive to make social contributions that benefit local communities, focusing on "Local Communities," "Environment" and "Education Support for the Next Generation."

[For details](#) [Website >> Sustainability > Social Contribution Activities](#)

11-year Financial and Non-financial Data

		FY2012 2013.6	FY2013 2014.6	FY2014 2015.6	FY2015 2016.6
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Financial Data

Key financial results

	(Unit)	FY2012 2013.6	FY2013 2014.6	FY2014 2015.6	FY2015 2016.6
Net sales*1	Millions of yen	163,351	173,878	179,174	192,437
Operating profit	Millions of yen	6,115	11,996	11,132	17,864
Ordinary profit	Millions of yen	6,264	13,384	12,475	18,373
Profit attributable to owners of parent*2	Millions of yen	(3,807)	11,538	8,874	16,698
Net assets	Millions of yen	59,436	72,238	84,928	78,032
Total assets	Millions of yen	243,289	230,791	242,348	219,561
Cash flows from operating activities	Millions of yen	22,357	32,213	21,992	23,708
Cash flows from investing activities	Millions of yen	(4,506)	(3,023)	(4,055)	(5,593)
Cash flows from financing activities	Millions of yen	(3,619)	(16,881)	(14,895)	(32,448)
Cash and cash equivalents at end of period	Millions of yen	44,204	57,012	61,670	44,862

Key performance indicators

Net assets per share	Yen	806.38	1,040.23	1,398.66	1,477.29
Earnings per share	Yen	(87.79)	223.18	172.73	338.37
Shareholders' equity ratio	%	22.7	29.2	32.8	33.2
ROE (return on equity)*3	%	—	18.8	12.1	21.9
Ordinary profit to total assets ratio	%	2.5	5.6	5.3	8.0
Price-earnings ratio*4	Times	—	9.66	10.91	9.21

Other indicators

Capital expenditure	Billions of yen	6.8	6.2	6.7	7.0
R&D cost	Billions of yen	5.0	5.2	5.6	6.3
Interest-bearing debt	Billions of yen	106.1	89.6	82.6	62.7
Dividends	Yen	—	—	10.0	30.0
Dividend payout ratio	%	—	—	5.8	8.9
Number of employees	Persons	6,579	5,971	5,904	5,886

Non-financial Data

Rate of lost-work-time injuries*5	%	—	—	—	—
Voluntary retirement rate*5	%	—	—	—	—
Localization ratio of presidents of overseas subsidiaries	%	—	—	—	—
Ratio of women in managerial positions	%	—	—	—	—
CO ₂ emissions					
Total	t-CO ₂	—	—	—	—
Group companies in Japan	t-CO ₂	—	—	—	—
Group companies overseas	t-CO ₂	—	—	—	—
Waste emissions					
Amount of valuable materials recycled	t	—	—	—	—
Amount of landfill	t	—	—	—	—
Total amount of waste recycled	t	—	—	—	—
Final landfill disposal rate	%	—	—	—	—

*1 Net sales do not include consumption taxes.

*2 The Company applies the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "profit attributable to owners of parent" is presented instead of "profit."

*3 The ROE (return on equity) figure for FY2012 is not presented because the Company recorded a net loss for the period.

*4 The price-earnings ratio for FY2012 is not presented because the Company recorded a net loss for the period.

*5 ULVAC, Inc. on a non-consolidated basis

	FY2016 2017.6	FY2017 2018.6	FY2018 2019.6	FY2019 2020.6	FY2020 2021.6	FY2021 2022.6	FY2022 2023.6
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Net sales	231,831	249,271	220,721	185,402	183,011	241,260	227,528
Operating profit	29,468	35,351	23,828	15,958	17,197	30,061	19,946
Ordinary profit	29,716	36,907	25,575	18,052	17,966	32,200	22,880
Profit attributable to owners of parent	24,469	35,904	18,665	10,769	14,830	20,211	14,169
Net assets	104,917	154,069	157,588	161,093	173,699	196,484	204,853
Total assets	245,306	297,418	282,302	282,350	292,761	354,304	353,474
Cash flows from operating activities	37,818	19,086	18,282	18,738	25,520	33,931	1,011
Cash flows from investing activities	(13,713)	(1,564)	(9,448)	(4,143)	(6,925)	(7,432)	(15,673)
Cash flows from financing activities	(22,580)	(10,734)	(5,844)	7,455	(16,061)	(6,445)	(5,438)
Cash and cash equivalents at end of period	47,555	54,348	55,859	77,948	83,061	107,106	87,317

Net assets per share	2,002.90	2,994.12	3,062.39	3,132.22	3,388.87	3,837.17	4,024.72
Earnings per share	496.35	728.68	378.78	218.54	301.12	410.37	287.70
Shareholders' equity ratio	40.2	49.5	53.5	54.6	57.0	53.3	56.1
ROE (return on equity)	28.5	29.2	12.5	7.1	9.2	11.4	7.3
Ordinary profit to total assets ratio	12.8	13.6	8.8	6.4	6.2	10.0	6.5
Price-earnings ratio	10.88	5.82	9.02	14.23	18.70	11.26	21.17

Capital expenditure	8.3	12.9	12.9	10.3	10.0	11.0	19.7
R&D cost	6.9	8.3	9.2	8.4	8.4	10.3	13.8
Interest-bearing debt	42.7	35.7	35.6	49.8	39.5	39.5	42.0
Dividends	50.0	95.0	105.0	80.0	95.0	124.0	109.00
Dividend payout ratio	10.1	13.0	27.7	36.6	31.5	30.2	37.9
Number of employees	6,072	6,439	6,424	6,370	6,063	6,235	6,264

Rate of lost-work-time injuries	—	0.37	0.00	0.00	0.76	0.39	0.56
Voluntary retirement rate	—	1.06	2.21	1.98	1.97	3.16	2.90
Localization ratio of presidents of overseas subsidiaries	—	87.8	82.4	79.4	83.8	87.1	83.3
Ratio of women in managerial positions	—	—	—	—	6.6	7.7	9.0
CO ₂ emissions							
Total	—	96,653	98,971	93,781	90,934	92,052	89,406
Group companies in Japan	—	61,557	63,769	59,502	55,829	55,560	51,225
Group companies overseas	—	35,096	35,202	34,279	35,105	36,492	38,181
Waste emissions							
Amount of valuable materials recycled	—	1,767	1,877	1,173	1,136	1,189	1,169
Amount of landfill	—	289	286	163	80	93	101
Total amount of waste recycled	—	6,504	6,584	4,987	4,936	4,426	4,817
Final landfill disposal rate	—	3.6	3.6	2.6	1.4	1.4	1.6

Financial Overview

Forward-looking statements contained in this document are based on the current assumptions and beliefs of the ULVAC Group in light of the information available to it as of September 28, 2023.

Management's Recognition, Analysis and Discussion of Financial Position and Operating Results

For the fiscal year ended June 30, 2023 (FY 2022), net sales amounted to ¥227,528 million, a decrease of 5.7% year on year. Regarding semiconductor and electronic device production equipment, in addition to contributions from investment in logic, there was more active investment in power devices and optical devices and investment aimed at shifting to domestic electronics production in China. However, within the semiconductor production equipment field, capital investment by semiconductor manufacturers is slowing in the short term, in line with the deceleration in demand for items such as smartphones and personal computers and semiconductor memory inventory adjustment. Regarding FPD production equipment, investment in LCDs for IT panels declined following the previous fiscal year's heightened activity. These factors contributed to lower net sales.

Operating profit margin was 8.8%, down 3.7 percentage points from the previous fiscal year. This was mainly attributable to a decrease in net sales for FPD production equipment and an increase in semiconductor-related R&D cost, which is an upfront investment.

R&D cost totaled ¥13,766 million, an increase of ¥3,425 million from the previous fiscal year. The ratio of R&D cost to net sales was 6.1%, an increase of 1.8 percentage points from the previous fiscal year. Strengthening research and development capabilities is one of the main initiatives in the mid-term management plan, and the ULVAC Group is continuing to emphasize investment with a view to future growth.

Regarding objective indicators for evaluating the degree of achievement of the management policies, management strategies, and management objectives, we have formulated a mid-term management plan covering three years from the fiscal year ending June 30, 2024. The mid-term management plan's basic policies are: "creating social value through vacuum technology" and "enhancing profit and capital efficiency-oriented management." Under these policies, the ULVAC Group will use net sales, gross profit margin, operating profit margin, operating cash flow, and return on equity (ROE), as key performance indicators of the mid-term management plan.

Quantitative targets are net sales of ¥300.0 billion, gross profit margin of 35%, operating profit margin of 16%, operating cash flow of ¥63.0 billion (cumulative total for three years), and ROE of 14%. The Group aims to achieve further growth from a medium- to long-term perspective by implementing specific initiatives to attain the targets of the mid-term management plan.

Management's recognition, analysis and discussion of operating results by business segment are as follows.

■ Vacuum Equipment Business

Segment net sales decreased 7.7% year on year to ¥184,760 million. This was mainly attributable to year-on-year decreases in orders received and net sales for FPD production equipment due to the decline in investment in LCDs for IT panels following the previous fiscal year's heightened activity, although orders received and net sales for semiconductor and electronic device production equipment both increased year on year owing to more active investment in power devices and optical devices and investment aimed at shifting to domestic electronics production in China, in addition to contributions from investment in logic.

Segment profit margin deteriorated from 13.6% for the previous fiscal year to 9.0% for the fiscal year under review. This was mainly attributable to the decrease in net sales of FPD production equipment and the increase in semiconductor-related R&D cost.

■ Vacuum Application Business

Segment net sales increased 3.9% year on year to ¥42,768 million. Higher segment net sales were attributable to brisk sales related to surface analyzers and mask blanks for high-definition and high-performance displays, which were higher than the previous fiscal year. On the other hand, net sales of materials decreased year on year because of lower utilization rates at customer plants related to FPDs.

Segment profit margin improved from 7.1% for the previous fiscal year to 7.8% for the fiscal year under review. This was mainly attributable to an increase in net sales of highly profitable products.

Financial Position

Total assets at the end of FY 2022 amounted to ¥353,474 million, having decreased ¥830 million compared with the figure at the previous fiscal year-end. The main factors were an increase of ¥12,522 million in inventories partly due to a measure to deal with longer lead time for parts delivery and an increase of ¥4,593 million in property, plant and equipment due to capital investment, and a decrease of ¥19,641 million in cash and deposits in line with these increases.

Total liabilities amounted to ¥148,620 million, having decreased ¥9,199 million compared with the figure at the previous fiscal year-end. The main factors were a decrease of ¥7,694 million in notes and accounts payable - trade and a decrease of ¥2,560 million in contract liabilities.

Net assets amounted to ¥204,853 million, having increased ¥8,369 million compared with the figure at the previous fiscal year-end. The main factors were an increase of ¥8,049 million in retained earnings mainly due to the recording of profit attributable to owners of parent. As a result, the shareholders' equity ratio at the end of FY 2022 was 56.1%. We will continue to strengthen cash flow management and other measures to further strengthen the financial base.

Cash Flows

Cash and cash equivalents at the end of FY 2022 amounted to ¥87,317 million, having decreased ¥19,788 million compared with the figure at the previous fiscal year-end. The status of cash flows from operating, investing and financing activities and major contributing factors were as follows.

Cash Flows from Operating Activities

While working capital increased in order to deal with longer lead times for parts delivery, net cash provided by operating activities amounted to ¥1,011 million owing to the recording of profit before income taxes, depreciation and others. We will continue efforts to further strengthen cash flow management to achieve operating cash flow of ¥63.0 billion (cumulative total for three years to the fiscal year ending June 30, 2026), which is the target of the mid-term management plan.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥15,673 million. Factors for cash outflow included purchase of property, plant and equipment and intangible assets.

As a result, free cash flow was negative at ¥14,662 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5,438 million, which was mainly used for the payment of cash dividends based on the performance-linked payout ratio.

Financial Resources and Liquidity

The ULVAC Group's funding needs are principally for R&D investment and capital investment, which will underpin a new growth strategy, and for working capital for business operations. The Group intends to expand investment for development in the semiconductor and electronic device fields to strengthen growing businesses. Such demand for funds is satisfied by cash flows from operating activities and borrowings from financial institutions. In fund procurement, the Group endeavors to level the annual amount of repayment in order to reduce refinancing risk and the repayment burden.

While the outlook of the market environment is increasingly unclear owing to the deterioration of U.S.-China relations and economic slowdowns in the U.S., China, etc., the Group has secured sufficient liquidity in hand in order to ensure preparedness for contingencies. The Group has also put in place a system that enables it to secure additional funds by concluding commitment-line contracts. Thus, the Group is capable of stable operation for the time being. The Group will maintain the system that ensures timely access to necessary funds so as to be capable of responding to rapid change in the business environment.

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	FY2021 (As of June 30, 2022)	FY2022 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	118,040	98,399
Notes and accounts receivable, trade and contract assets	86,331	83,538
Merchandise and finished goods	4,500	6,140
Work in process	29,090	36,485
Raw materials and supplies	15,849	19,335
Other	10,562	11,903
Allowance for doubtful accounts	(525)	(521)
Total current assets	263,847	255,280
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,821	87,062
Accumulated depreciation	(58,939)	(61,146)
Buildings and structures, net	26,883	25,915
Machinery, equipment and vehicles	78,272	84,162
Accumulated depreciation	(62,537)	(63,763)
Machinery, equipment and vehicles, net	15,735	20,399
Tools, furniture and fixtures	14,682	14,840
Accumulated depreciation	(12,908)	(13,099)
Tools, furniture and fixtures, net	1,774	1,741
Land	8,360	8,245
Leased assets	5,079	5,981
Accumulated depreciation	(1,922)	(2,311)
Leased assets, net	3,157	3,670
Construction in progress	9,087	9,617
Total property, plant and equipment	64,995	69,588
Intangible assets		
Leased assets	27	23
Software	1,603	1,746
Other	2,085	2,568
Total intangible assets	3,715	4,336
Investments and other assets		
Investment securities	6,882	10,151
Retirement benefit asset	536	940
Deferred tax assets	6,990	6,245
Other	9,332	8,962
Allowance for doubtful accounts	(1,995)	(2,030)
Total investments and other assets	21,746	24,269
Total non-current assets	90,457	98,193
Total assets	354,304	353,474

(Millions of yen)

	FY2021 (As of June 30, 2022)	FY2022 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	55,030	47,336
Short-term borrowings	9,618	11,878
Lease liabilities	679	898
Income taxes payable	3,813	2,328
Contract liabilities	25,245	22,685
Provision for bonuses	5,918	5,072
Provision for bonuses for directors (and other officers)	404	368
Provision for product warranties	1,387	1,726
Provision for loss on orders received	16	313
Other	14,651	14,149
Total current liabilities	116,762	106,754
Non-current liabilities		
Long-term borrowings	29,910	30,080
Lease liabilities	2,562	3,037
Deferred tax liabilities	128	195
Retirement benefit liability	7,400	7,414
Provision for share awards for directors (and other officers)	272	311
Asset retirement obligations	416	409
Other	368	420
Total non-current liabilities	41,057	41,867
Total liabilities	157,820	148,620
Net Assets		
Shareholders' equity		
Share capital	20,873	20,873
Capital surplus	3,912	3,912
Retained earnings	152,514	160,563
Treasury shares	(344)	(345)
Total shareholders' equity	176,955	185,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,440	2,036
Foreign currency translation adjustment	12,282	12,721
Remeasurements of defined benefit plans	(1,700)	(1,547)
Total accumulated other comprehensive income	12,022	13,209
Non-controlling interests	7,508	6,641
Total net assets	196,484	204,853
Total liabilities and net assets	354,304	353,474

Consolidated Financial Statements

Consolidated Statements of Income

(Millions of yen)

	FY2021 (July 1, 2021-June 30, 2022)	FY2022 (July 1, 2022-June 30, 2023)
Net sales	241,260	227,528
Cost of sales	167,517	160,366
Gross profit	73,743	67,162
Selling, general and administrative expenses		
Selling expenses	18,036	17,893
General and administrative expenses	25,646	29,324
Total selling, general and administrative expenses	43,682	47,217
Operating profit	30,061	19,946
Non-operating income		
Interest income	248	394
Dividend income	745	429
Foreign exchange gains	571	—
Share of profit of entities accounted for using equity method	861	2,661
Other	1,312	1,579
Total non-operating income	3,736	5,063
Non-operating expenses		
Interest expenses	410	441
Foreign exchange losses	—	574
Commission for syndicated loans	195	287
Other	994	826
Total non-operating expenses	1,598	2,128
Ordinary profit	32,200	22,880
Extraordinary income		
Gain on sales of investment securities	343	—
Gain on sale of shares of subsidiaries and associates	797	—
Gain on sales of non-current assets	59	153
Total extraordinary income	1,199	153
Extraordinary losses		
Impairment losses	3,090	2,311
Expenses for COVID-19 measures	1,028	—
Total extraordinary losses	4,118	2,311
Profit before income taxes	29,280	20,722
Income taxes - current	7,549	6,100
Income taxes - deferred	290	542
Total income taxes	7,839	6,642
Profit	21,441	14,080
Profit (loss) attributable to non-controlling interests	1,231	(89)
Profit attributable to owners of parent	20,211	14,169

Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2021 (July 1, 2021-June 30, 2022)	FY2022 (July 1, 2022-June 30, 2023)
Profit	21,441	14,080
Other comprehensive income		
Valuation difference on available-for-sale securities	(738)	602
Foreign currency translation adjustment	8,015	639
Remeasurements of defined benefit plans, net of tax	(279)	154
Share of other comprehensive income of entities accounted for using equity method	624	(59)
Total other comprehensive income	7,622	1,336
Comprehensive income	29,063	15,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,348	15,357
Comprehensive income attributable to non-controlling interests	1,714	59

Consolidated Statements of Cash Flows

(Millions of yen)

	FY2021 (July 1, 2021-June 30, 2022)	FY2022 (July 1, 2022-June 30, 2023)
Cash flows from operating activities		
Profit before income taxes	29,280	20,722
Depreciation	8,587	8,245
Impairment losses	3,090	2,311
Increase (decrease) in allowance for doubtful accounts	203	36
Increase (decrease) in provision for bonuses	2,593	(869)
Increase (decrease) in retirement benefit liability	(38)	238
Increase (decrease) in provision for share awards for directors (and other officers)	75	39
Increase (decrease) in provision for product warranties	67	328
Increase (decrease) in provision for loss on orders received	(906)	297
Interest and dividend income	(993)	(822)
Interest expenses	410	441
Loss (gain) on sale of investment securities	(343)	—
Loss (gain) on sale of shares of subsidiaries and associates	(797)	—
Loss (gain) on sale of non-current assets	(59)	(153)
Share of loss (profit) of entities accounted for using equity method	(861)	(2,661)
Decrease (increase) in trade receivables	(16,971)	3,629
Decrease (increase) in inventories	(11,348)	(12,530)
Increase (decrease) in trade payables	15,544	(8,418)
Increase (decrease) in net contract liabilities	10,788	(2,725)
Increase (decrease) in accrued consumption taxes	594	(913)
Other	(850)	2,179
Subtotal	38,067	9,373
Interest and dividends received	1,573	1,026
Interest paid	(407)	(400)
Income taxes paid	(5,302)	(8,987)
Cash flows from operating activities	33,931	1,011
Cash flows from investing activities		
Payments into time deposits	(20,656)	(25,578)
Proceeds from withdrawal of time deposits	18,908	25,495
Purchase of property, plant and equipment and intangible assets	(7,344)	(16,311)
Proceeds from sale of property, plant and equipment and intangible assets	224	435
Proceeds from sale of investment securities	391	—
Proceeds from sale of shares of subsidiaries and associates	1,200	—
Other	(155)	285
Cash flows from investing activities	(7,432)	(15,673)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	331	1,483
Proceeds from long-term borrowings	5,400	7,300
Repayments of long-term borrowings	(5,685)	(6,368)
Repayments of lease liabilities	(741)	(879)
Dividends paid	(4,684)	(6,115)
Purchase of treasury shares	(0)	(1)
Dividends paid to non-controlling interests	(1,065)	(858)
Other	—	0
Cash flows from financing activities	(6,445)	(5,438)
Effect of exchange rate change on cash and cash equivalents	3,991	312
Net increase (decrease) in cash and cash equivalents	24,044	(19,788)
Cash and cash equivalents at beginning of period	83,061	107,106
Cash and cash equivalents at end of period	107,106	87,317

Company Data/Stock Information

Company Profile As of June 30, 2023

Name	ULVAC, Inc.
Trademark	ULVAC
Head office	2500 Hagisono, Chigasaki, Kanagawa Prefecture, Japan
Established	August 23, 1952
Capital	¥20,873,042,500
Number of employees	Non-consolidated 1,710 Consolidated 6,264

Directors, Auditors and Executive Officers As of September 29, 2023

President and Chief Executive Officer	Setsuo Iwashita	Senior Executive Officer	Shigemitsu Sato
Senior Managing Director	Dr. Choong Ryul Paik	Senior Executive Officer	Tomoyasu Kondo
External Director	Hiroyuki Nishi	Senior Executive Officer	Takeshi Haginouchi
External Director	Norio Uchida	Senior Executive Officer	Seigou Kinugawa
External Director	Dr. Kozo Ishida	Senior Executive Officer	Dr. Ju Hoon Shin
External Director	Yoshimi Nakajima	Senior Executive Officer	Junya Kiyota
Auditor	Kazuya Saito	Executive Officer	Yu Jer Tsai
Auditor	Yuji Morijiri	Executive Officer	Dr. Koukou Suu
External Auditor	Isao Utsunomiya	Executive Officer	Shinji Takahashi
External Auditor	Soya Honda	Executive Officer	Kenji Yamaguchi
Managing Executive Officer	Tetsuya Shimada	Executive Officer	Sun-Gil Kim
Managing Executive Officer	Sadao Aoki	Executive Officer	Tadashi Oka
Managing Executive Officer	Yasuo Shimizu	Executive Officer	Yasuhiro Hara

Stock Information

As of June 30, 2023

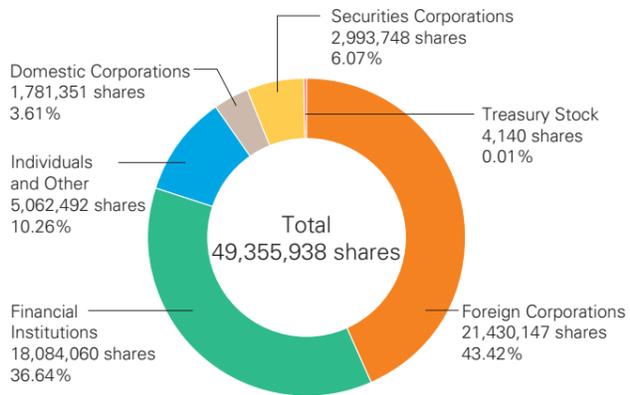
Total number of shares authorized.....	100,000,000
Total number of shares issued....	49,355,938
Total number of shareholders.....	12,463

Major Shareholders

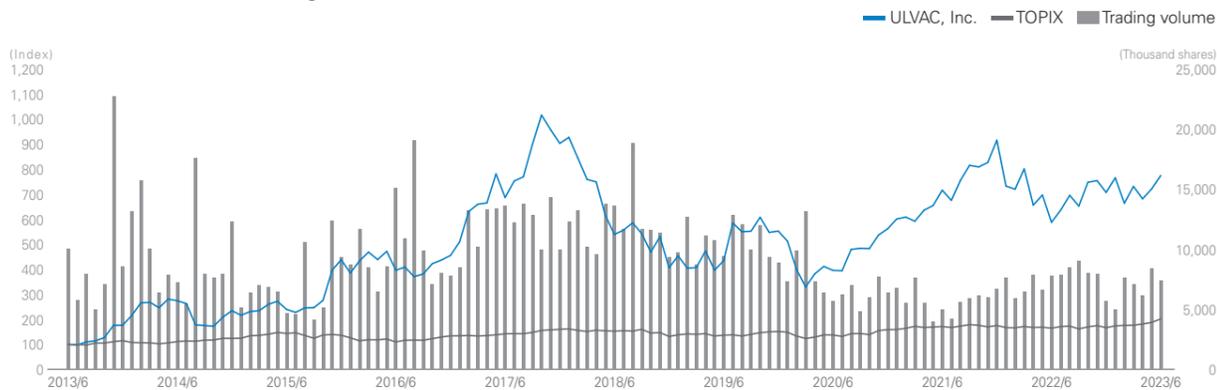
Shareholder's name	Number of shares (Thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd.	7,569	15.34
Custody Bank of Japan, Ltd.	3,734	7.57
Nippon Life Insurance Company	3,242	6.57
BBH (LUX) FOR FIDELITY FUNDS-GLOBAL TECHNOLOGY POOL	3,188	6.50
TAIYO FUND, L.P.	2,477	5.02
JPMorgan Securities Japan Co., Ltd.	1,212	2.46
TAIYO HANEI FUND, L.P.	1,170	2.37
STATE STREET BANK AND TRUST COMPANY 505227	1,031	2.09
BNP PARIBAS LUXEMBOURG/2S JASDEC SECURITIES/UCITS ASSETS	994	2.01
STATE STREET BANK AND TRUST COMPANY 505038	796	1.61

Note: Treasury stock (4,140 shares) is excluded from the calculation of shareholding ratios.

Number of Shares Held by Shareholder Type



Share Price* and Trading Volume



*The Company's share price and the TOPIX index indicated by line graphs as of June 30, 2013 are 100.

TSR (Total Shareholder Return)*

Annualized TSR

Shareholding period	3 years	5 years	10 years
ULVAC, Inc.	206.4%	155.8%	863.9%
TOPIX	157.8%	149.3%	252.4%

*TSR is the overall yield for shareholders that takes into account both capital gains and dividends. By referring to the formula prescribed by the Cabinet Office Ordinances, the yield for each shareholding period at the end of FY 2022 is calculated. The closing price at the end of FY 2019, at the end of FY 2017, and at the end of FY 2012 is used as the base stock price at the start of investment for each investment period of 3 years, 5 years, and 10 years, respectively.

ULVAC Group Companies As of September 30, 2023

- Japan**
 - ULVAC TECHNO, Ltd.
 - ULVAC KIKO, Inc.
 - ULVAC EQUIPMENT SALES, Inc.
 - ULVAC CRYOGENICS INCORPORATED
 - ULVAC-PHI, Inc.
 - TIGOLD CORPORATION
 - ULVAC COATING CORPORATION
 - NISSIN SEIGYO Co., LTD.
 - FINE SURFACE TECHNOLOGY CO., LTD.
 - SHOWA SHINKU CO., LTD.
- China**
 - ULVAC (CHINA) HOLDING CO., LTD.
 - ULVAC (NINGBO) CO., LTD.
 - ULVAC (SUZHOU) CO., LTD.
 - ULVAC Orient (Chengdu) Co., Ltd.
 - ULVAC ORIENT TEST AND MEASUREMENT TECHNOLOGY (CHENGDU) CO., LTD.
 - ULVAC Automation Technology (Shanghai) Corporation
 - ULVAC Tianma Electric (Jingjiang) Co., Ltd.
 - ULVAC (Shenyang) Co., Ltd.
 - ULVAC (Shanghai) Trading Co., Ltd.
 - ULVAC Materials (Suzhou) Co., Ltd.
 - ULVAC CRYOGENICS (NINGBO) INCORPORATED
 - ULVAC Research Center SUZHOU Co., Ltd.
 - Hong Kong ULVAC Co., Ltd.
 - ULVAC VACUUM EQUIPMENT (SHANGHAI) CO., LTD.
 - ULVAC Coating Technology (HEFEI) Co., Ltd.
- South Korea**
 - ULVAC KOREA, Ltd.
 - Pure Surface Technology, Ltd.
 - ULVAC CRYOGENICS KOREA INCORPORATED
- Europe**
 - ULVAC GmbH
- North America**
 - ULVAC Technologies, Inc.
 - Physical Electronics USA, Inc.
- 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.
- Southeast Asia**
 - ULVAC SINGAPORE PTE LTD
 - ULVAC MALAYSIA SDN. BHD.
 - ULVAC (THAILAND) LTD.

Participation in External Initiatives



Signing the United Nations Global Compact



Endorsing the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations



Participating in the Semiconductor Climate Consortium (SCC)

External Recognition

2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan ESG Select Leaders Index
THE INCLUSION OF ULVAC, INC. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF ULVAC, INC. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



FTSE Blossom Japan Sector Relative Index
FTSE Russell (Registered trademark of FTSE International Limited and Frank Russell Company) hereby certifies that ULVAC, Inc. has qualified for inclusion in the FTSE Blossom Japan Sector Relative Index as a result of independent research. The FTSE Blossom Japan Sector Relative Index is widely used to create and evaluate sustainable investment funds and other financial products.



S&P/JPX Carbon Efficient Index
The S&P/JPX Carbon Efficient Index developed by S&P Dow Jones Indices and the Tokyo Stock Exchange is designed to measure the performance of companies in the Tokyo Stock Price Index (TOPIX), while overweighting or underweighting those companies that have lower or higher levels of carbon emissions per unit of revenue and based on their environment-related disclosure.

For details Website >>
Sustainability > ULVAC's Sustainable Management > ULVAC's Sustainability