

Corporate Governance

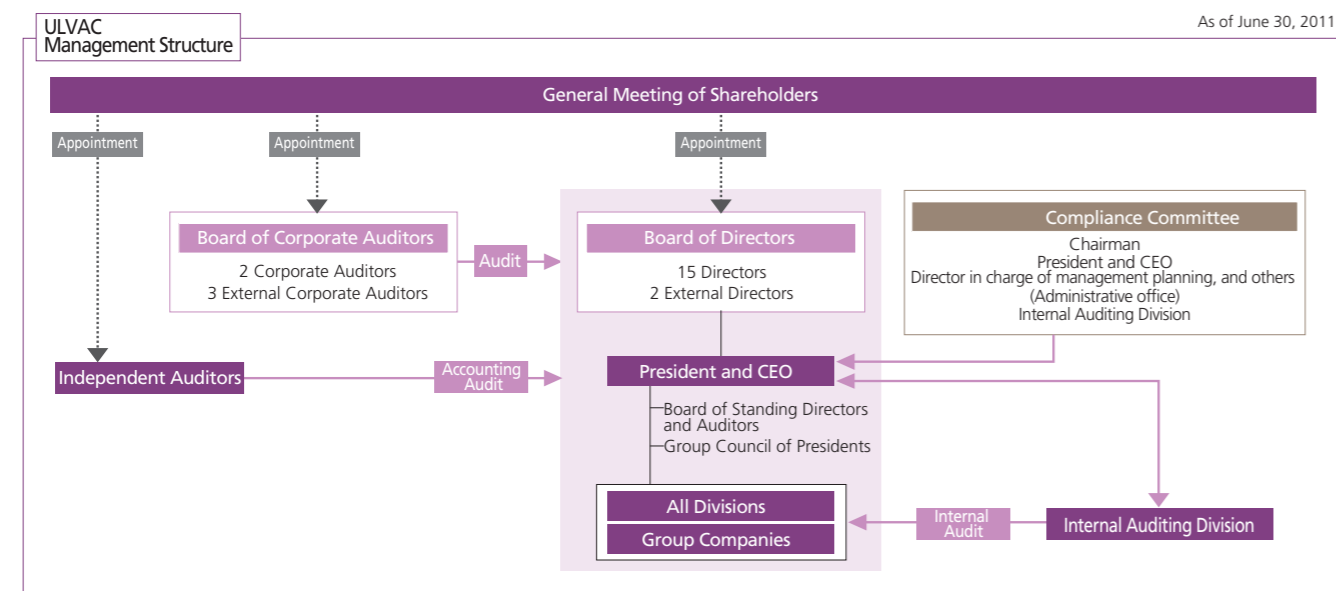
The ULVAC Group regards corporate governance to be one of the most important issues for business operations. We aim to conduct highly transparent and fair business operations that reflect prompt management decisions.

ULVAC's Management Structure

ULVAC regards fairness, neutrality, and transparency as vital for business operations. Accordingly, our 17-member Board of Directors includes two external directors, and the five-member Board of Corporate Auditors includes three external corporate auditors. The Board of Directors meets as required to maintain momentum, in addition to the regular monthly meetings. The corporate auditors have established close ties with the Internal Auditing Division and also with independent auditors, while maintaining the necessary objectivity for closely overseeing the business structure. ULVAC's business structure has been configured to allow prompt management decision-making, while maintaining sufficient monitoring functions.

Operational Structure

ULVAC has established a Board of Standing Directors and Auditors to supplement the Board of Directors, to enable prudent examination of key business matters when conducting operations. Meetings of the Board of Standing Directors and Auditors are held twice a month on a regular basis, and additional ad-hoc meetings are held as required, enabling prompt management decision-making. The corporate auditors participate in all important company meetings including those of the Board of Standing Directors and Auditors, so that they can impartially express their opinions and conduct monitoring activities.



Compliance

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

Establishment of a Corporate Code of Conduct

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

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

Compliance with Laws and Regulations via the Compliance Violation Reporting System

ULVAC has developed a Compliance Violation Reporting System to minimize the effects of any violations of laws and regulations. The contact point for the Compliance Violation Reporting System is the Internal Auditing Office that serves as the secretariat of the Compliance Committee, the internal compliance investigation division. To facilitate the use of the Compliance Violation Reporting System, the independence of the office's activities is ensured, and anonymous information is accepted. Moreover, the President and general managers of each department serve as members of the Compliance Committee to ensure prudent examination while assuring the fairness of internal investigations. Each member is required to maintain strict confidentiality, and to operate the system so that reporters and investigators are not treated detrimentally. In this manner, internal investigations are carefully conducted; numerous interviews are held with

both internal and external parties, and attorneys attend any cases requiring their expertise.

Dealing with Acts of Violation

If, as the result of an investigation, the Compliance Committee finds that laws and internal regulations are being violated, action is quickly taken to put a stop to the act causing the violation. Penalties are imposed on those involved in the violation, and adequate penalties are imposed in the case of serious violations after examination by the Disciplinary Committee. In addition, the fundamental causes that brought about the violation are also studied to formulate effective measures for preventing recurrence.

Risk Management

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

Creating a Risk Management System

The ULVAC Group believes that expanding the risk management system is a critical business task. Thus, we have established the ULVAC Risk Management Policy to ensure that there are common rules across the ULVAC Group. The President of each group company assumes the position of Chief Risk Officer and shares risk information with related departments. Important information is promptly conveyed from the President of each group company to the President of ULVAC, Inc.

As the supervising organization for risk management, the Committee meets twice a year to set out basic policies and improve the management and operation.

ULVAC Risk Management System

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

