

## Messages from External Directors



Norio Uchida

The business environment is changing at dizzying speed. In this challenging environment, ULVAC's growth hinges on its ability to cultivate excellent human resources, achieve superiority in technology and manufacturing capabilities, and share information effectively. ULVAC is aiming to achieve profitable, sustained growth after a phase of structural reform and management base building. To accomplish this, ULVAC has to overcome the challenges confronting it.

The Company's financial situation is improving and ULVAC must actively make investments that will win the approval of external stakeholders while making thorough business selection and concentration the norm. I would particularly like to see a location strategy focusing on countries where technology and manufacturing are particularly advanced. In addition to maintaining a management stance focused on compliance and governance, the Board of Directors will proactively involve itself in and supervise investment targeting the key priority of becoming a top global company, human resources development, strengthening of crisis management, and education to improve scenario capabilities for strategy execution.

Global human resources, world-leading technologies and manufacturing capabilities, information sharing, and proper and speedy management decision-making will form the foundation for the ULVAC Group's future growth. Whereas reform is top-down, growth is a full-participation, bottom-up process. I ask that all employees maintain crisis awareness at all times, improve their adaptability and sensitivity to change in the environment, and aim to be business professionals capable of holding their own in the world beyond ULVAC. Let's all work in unison to create a new ULVAC corporate culture.



Kozo Ishida

COVID-19 has thrust the world into economic and social turmoil, triggering unprecedented political challenges for humankind. ULVAC has grown by engaging globally in businesses that broadly support industrial and public infrastructure by adding new technologies, such as plasma technology, to vacuum technology. However, ULVAC is inevitably caught up in the turmoil caused by the COVID-19 pandemic.

To escape from this turmoil, not only conventional thinking, but also wisdom and action, are strongly needed at this time. I believe it is important to view this enormous social transformation as a great opportunity. We should exploit the next openings for growth boldly and deliberately, with all employees joining forces as a single united team, and return to the fundamentals of manufacturing, with all divisions and Group companies accumulating improvements and innovating. Furthermore, the stakeholders expect ULVAC to demonstrate preparedness and the practices necessary to accomplish the objectives in the mid-term management plan with a sense of alacrity.

To that end, I think it is important to build up the strength needed to confront an unprecedented crisis by actively undertaking redevelopment of ULVAC's human resources and accumulated technologies so as to increase resilience to change in preparation for the future. I intend to tackle this together with the employees.



Yoshimi Nakajima

Expanding its business as "A company needed by society" amid unprecedented change in the business environment is both a challenge and an great opportunity for ULVAC. Clearly, transformation is required to strengthen manufacturing capabilities while improving our profitability and continuously increase market share by anticipating market needs. Furthermore, progress is being made in cultivating a mindset conducive to boldly taking on challenges without dwelling on past successes. I have come to this realization in light of management's strong commitment and the dynamic bottom-up ideas and autonomous awareness activities emanating principally from young employees.

The challenge for ULVAC, which operates in the global market, is how timely and flexible the organization can be in changing itself in a rapidly changing environment. "Career path to secure and develop human resources that will drive global expansion" and "Strengthen and establish organizational culture for change" are necessary to solve the challenge.

Based on my management experience at U.S. and European global companies as well as my experience of business in Asia, I have sought to continuously contribute by focusing primarily on human resources and corporate culture. I want to help realize effective and speedy reforms by continuing to make effective use of time spent in contact with employees in different regions and at different organizational levels, endeavoring from an external perspective to grasp the necessary actions and systems while offering advice with an eye to effective execution.

## Risk Management

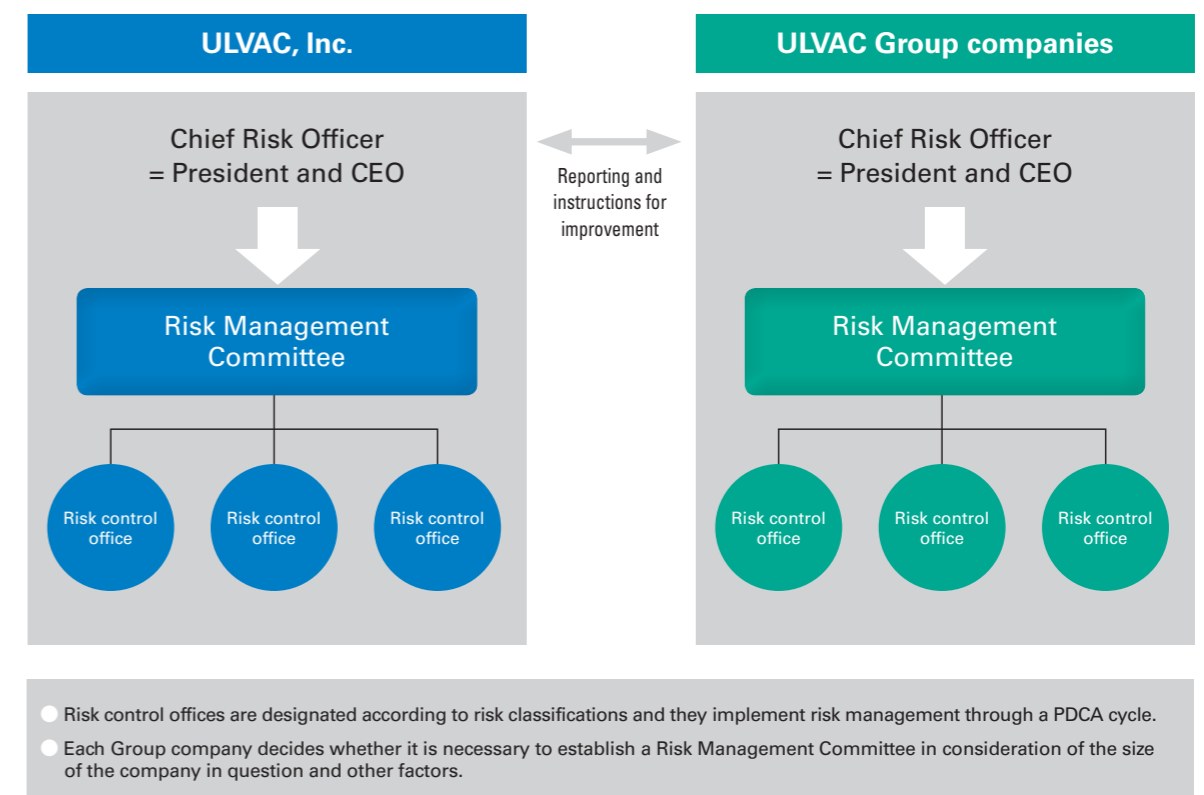
The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long-term 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

In regard to risk management initiatives, ULVAC, Inc. has established rules concerning its 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 important information in 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 twice-yearly 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 Management (Continued)

### Management of risks

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

#### Market fluctuation

ULVAC has achieved growth by developing and introducing unique products in the field of vacuum equipment that are used, in particular, in FPD, semiconductor, and electronic device production processes. If a great reduction in customers' capital investment occurs or customers' financial conditions deteriorate owing to change in the market conditions, ULVAC's business results and financial position may be adversely affected.

Under the twofold basic policy, "investment in development for growth (selection and concentration)" and "profit-oriented management through structural change," of the new mid-term management plan launched in FY 2020, even in the case of market fluctuation ULVAC aims to improve profitability by enhancing productivity and achieve sustainable growth by focusing on development in growth fields.

#### Research and development

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

ULVAC 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.

#### Political and economic situations in various countries and regions

ULVAC operates an array of businesses globally. Various factors related to change in political and economic situations in various countries and regions may have an adverse impact on ULVAC's business results and financial position.

ULVAC pays particular attention to the risk that tariffs and various regulations may be imposed as a consequence of intensification of the U.S.-China trade conflict and will implement necessary

countermeasures. Meanwhile, it is expected that domestic production of electronic devices and semiconductors will be encouraged in China. ULVAC considers this to be an opportunity for business expansion and is working to further expand business in China.

#### COVID-19 countermeasures

It is a concern that worldwide travel restrictions and deterioration of the economic environment due to the COVID-19 pandemic may persist. ULVAC has established the COVID-19 Emergency Response Headquarters headed by the President and CEO and is striving to minimize the impact on business activities by implementing measures to prevent spread of COVID-19.

#### Recognized business risks

- 1 Impact of fluctuations in FPD, semiconductor and electronic device markets
- 2 Impact of research and development
- 3 Impact of the global competitive environment
- 4 Impact concerning securing of human resources
- 5 Impact concerning laws and regulations
- 6 Impact concerning quality
- 7 Impact concerning financing
- 8 Impact concerning information security
- 9 Impact due to currency fluctuations
- 10 Impact concerning intellectual property
- 11 Impact concerning safety
- 12 Impact concerning environmental responses
- 13 Impact of COVID-19
- 14 Other risks  
(force majeure in various countries and regions)

## Compliance

ULVAC views compliance as a vitally important issue. In addition to conducting awareness-raising activities so that each person in the ULVAC Group acts with a spirit of compliance, we are establishing and operating a range of institutions and regulations to ensure thorough compliance.

#### Corporate Code of Conduct

ULVAC has established a Corporate Code of Conduct comprising 18 items, conducted education, and distributed booklets to inculcate a culture of compliance, in order to ensure that the execution of the duties of officers and employees is compliant with laws and regulations and internal rules, and that we fulfill our corporate social responsibility.



#### Compliance Education

ULVAC, Inc. is working to create a culture of compliance through awareness-raising activities. As part of this effort, we conduct periodic and ad hoc online training and face-to-face training on corporate ethics, export compliance, prevention of insider training, prevention of harassment, and other topics, and test the degree of comprehension.

#### Whistleblowing System

ULVAC, Inc. has adopted a whistleblowing system operated through the Internal Auditing Office, which is an independent body. The Internal Auditing Office also serves as the secretariat for the Compliance Committee, and it is structured to give full consideration to confidentiality throughout the process of investigating the content of reports. This system does not prevent the person making the report from selecting other institutions or organizations within the Company as the destination for the report, and in such case, the report shall also be handled appropriately.

Individuals making reports are not treated unfavorably in any way. Reports can also be submitted anonymously.

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 experts, such as lawyers, and thorough interviews that are as wide-ranging as necessary may be 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 expert, 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.