

Risk Management

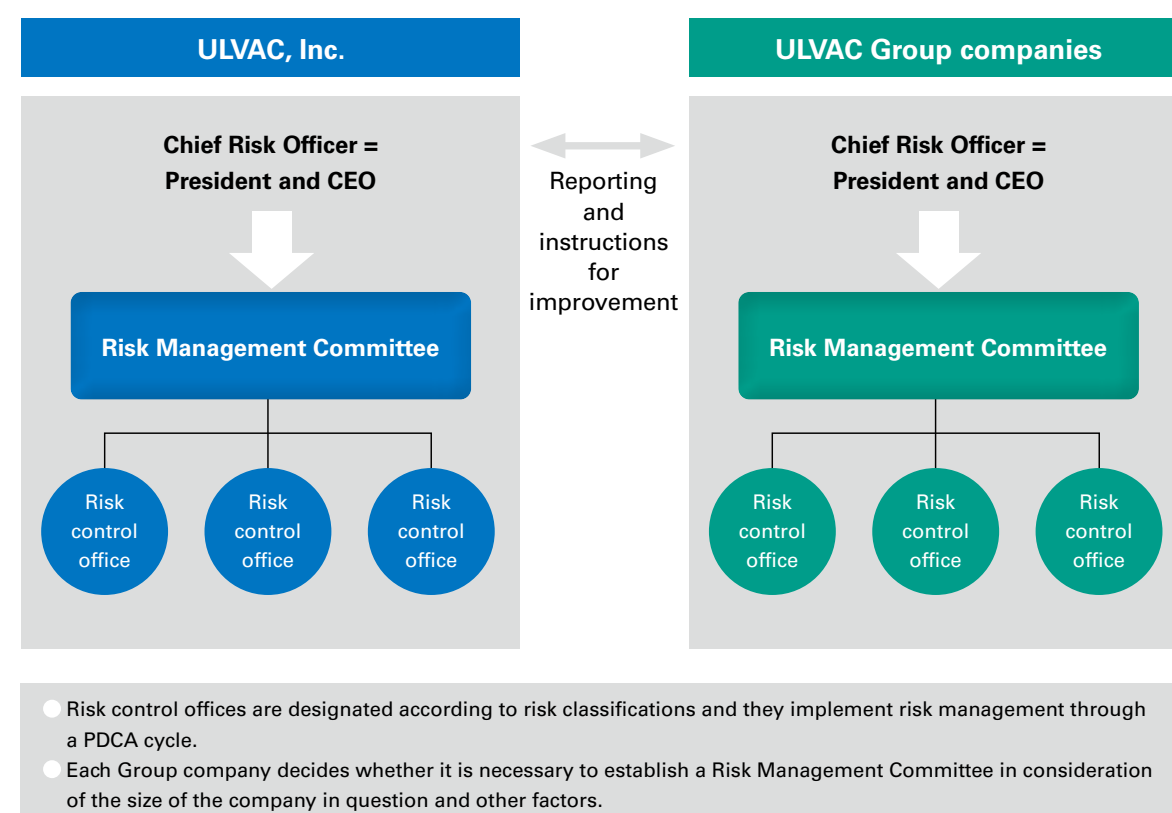
The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long- term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



Management of risks

Principal risks that may have a significant impact on 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

We have acquired our 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 ULVAC's customers, the Group's business results and financial position may be adversely affected.

Under the two fold 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 improves profitability by enhancing productivity and reinforces its ability to respond to market changes by focusing on development in growth fields.

Research and development

By maintaining vigorous R&D investment, we have 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.

Global competitive environment

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

affected. ULVAC 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.

COVID-19

ULVAC's business results and financial position may be adversely affected by factors such as the worldwide travel restrictions and deterioration of the economic environment associated with the prolonged spread of COVID-19 and other factors. ULVAC is striving to minimize the impact on business activities by implementing measures to prevent the spread of COVID-19 centered on the COVID-19 Emergency Response Headquarters headed by the President and CEO.

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 responses to environmental regulations and climate change
- 13 Impact of COVID-19
- 14 Other risks

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

We have 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

We are 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

We have adopted a whistleblowing system operated through the Manager of the Internal Auditing Office, which is an independent body. We have also established an external whistleblowing contact to enhance the system. The Manager of the Internal Auditing Office also serves as the secretariat for the Compliance Committee, and the system 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, 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.

Human Rights

We believe that consideration for human rights is an important management issue for further global business development. We will support international norms and strengthen promotion of the protection of and respect for human rights.

Approach to Human Rights

We will support international norms on human rights, and respect basic human rights based on the laws and regulations of each country and region.

ULVAC has signed the UN Global Compact, which is a global initiative advocated by the United Nations, and is promoting initiatives in the areas of human rights, labor, environment and anti-corruption based on “The Ten Principles of the UN Global Compact” that are universal principles to be adhered to by companies in these four areas.

ULVAC has established the standards for employees to follow in its Corporate Code of Conduct.

The Corporate Code of Conduct specifies the policy of protecting human rights by respecting human rights and prohibiting all forms of discrimination, and serves as a guideline on whether employees’ operations infringe upon human rights. Furthermore, it specifies policies on respecting the personality and individuality of employees, and on creating workplaces offering job satisfaction along with the Basic Policy for Human Resources Development. [▶ P49](#) Furthermore, it stipulates the provision of safe products and services to customers by engaging in safety and health activities based on laws and regulations, complying with safety standards and performing risk assessment of our products. [▶ P52](#) [▶ P53](#)

Corporate Code of Conduct (Excerpt)

- 7. Respect for Employees’ Personality and Individuality
Based on the respect for personality and the individuality of each of our employees, ULVAC will make an effort to upgrade and maintain the personnel system, labor conditions, and the fluid system wherein workers may achieve affluence and a sense of accomplishment. Also, we will evaluate personnel objectively and fairly, fostering creative human resources with expertise and rich individuality at the same time.
- 9. Respect for Human Rights and Nondiscriminatory Treatment
ULVAC will assure a healthy work environment where both harassment and discrimination are never acceptable for reasons of race, credo, complexion, sex, religion, nationality, language, bodily features and description, handicap or not, property or not, location or birthplace and sexuality. Also ULVAC will take no involvement in forced labor and child labor. ULVAC will especially strive to prevent sexual harassment, coercion, abuse, or harassing behavior by taking advantage of workplace authority and job function (harassment through official authority). In the event of such a problem, we will immediately and promptly start an investigation to take resolute action for relief of the victim and prevention of a recurrence.
- 11. Compliance with Laws or Ordinances
⑤ Law on Occupational Health
With the cooperation of all employees, ULVAC will perform health and safety activity through risk assessment and will ensure compliance to the occupational safety and health related laws and ULVAC occupational health and safety relevant provisions. ULVAC will provide safe products and services to users implementing product risk assessment and ensure compliance to various safety standards.

Reporting and Consultation Desk for Human Rights Issues

We have adopted a whistleblowing system operated through the Manager of the Internal Auditing Department, which is an independent body. [▶ P47](#)

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.

Freedom of Association

ULVAC promises to conclude labor agreements with labor unions and sincerely work together to adhere to these for the establishment and development of 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.

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 in major production bases, we will ask business partners to work with us as we engage in initiatives. Along with the implementation of questionnaire surveys mainly for major business partners, we have incorporated the questionnaire items into the evaluation at the time of registration and periodic renewal. Furthermore, we have established a policy on the handling of conflict minerals and conduct due diligence. [▶ P54](#)

Due Diligence on Human Rights

We will incorporate international norms into policies as well as build human rights due diligence processes according to these procedures, making an effort to further ensure awareness, prevention, responses and relief mechanisms to address the negative effects of business activities on human rights.