

# Corporate Governance

## Basic Corporate Governance Policy and Structure

In accordance with its Basic Corporate Philosophy, "The ULVAC Group aims to contribute to the development of industries and science by comprehensively utilizing its vacuum and peripheral technologies through the mutual cooperation and collaboration of the Group companies," ULVAC, Inc. works to ensure thorough corporate governance in order to increase corporate value over the medium to long term. From this perspective, we respect the interests not only of shareholders, but also of business partners, local communities, employees, and other stakeholders that are related to our business activities. We also value competitive and efficient operation, while ensuring strict compliance with laws and corporate ethics.

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

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

An executive officer system has been introduced, and thus executive officers exercise executive functions, having been granted a certain amount of responsibility and authority over their designated areas, through delegation by the Board of Directors. ULVAC, Inc. also has a Board of Executive Officers that comprises a total of 18 internal directors and executive officers. The Board of Executive Officers holds regular meetings once a month, as well as ad hoc meetings

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

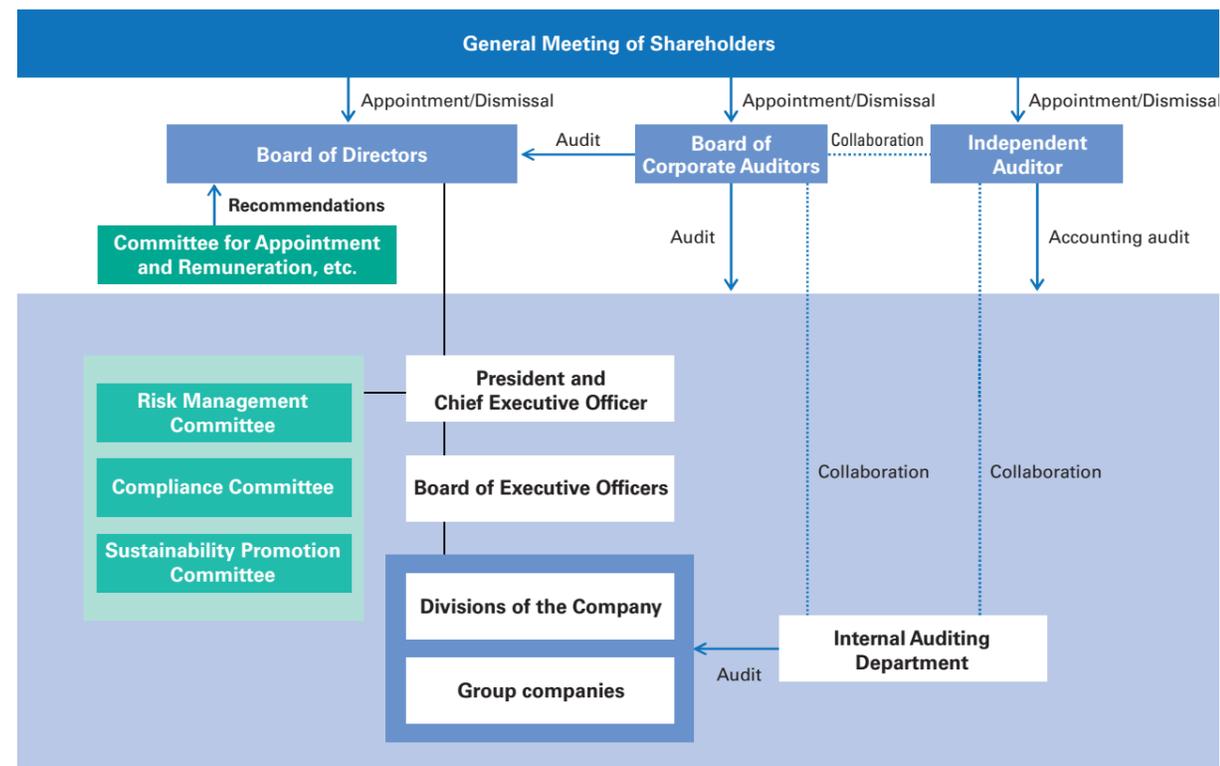
In addition, ULVAC, Inc. has a Board of Corporate Auditors, which performs auditing and supervision of management decision-making and business operations. The Board of Corporate Auditors comprises four members, two of whom are independent external auditors. We ensure full auditing and supervisory functions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

transparent auditing and supervisory functions, ensuring that each auditor obtains sufficient information.

Furthermore, we have a Committee for Appointment and Remuneration, etc. for cases requiring objective determination of important matters, such as the appointment and remuneration of directors and executive officers. The Committee for Appointment and Remuneration, etc. comprises seven members: one internal director, four independent external directors, and two independent external auditors. The Committee is chaired by an external director. By having such advisory bodies for the Board of Directors, we are able to achieve fair, impartial, and highly transparent deliberations with regard to especially important management decisions, and thus increase the effectiveness of the Board of Directors.

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

### Corporate Governance Structure



### Composition of Key Organizations and Skills Matrix

Title	Name	Composition of key organizations				Expertise/experience*2							
		Board of Directors	Board of Corporate Auditors	Board of Executive Officers*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	●		●	●	●	●	●					
Director and Executive Vice President	Mitsuru Motoyoshi	●		●		●	●		●				
Senior Managing Director	Dr. Choong Ryul Paik	●		●		●	●		●				
External Director	Hiroyuki Nishi	●			●	●	●					●	
External Director	Norio Uchida	●			●	●	●						
External Director	Dr. Kozo Ishida	●			●	●	●		●				
External Director	Yoshimi Nakajima	●			●	●	●						
Auditor	Makoto Ito	●	●	●					●			●	
Auditor	Kazuya Saito	●	●	●					●				
External Auditor	Senshu Asada	●	●		●								●
External Auditor	Isao Utsunomiya	●	●		●							●	

● Chairperson ● Chairperson ● Observer

\*1 The Board of Executive Officers also includes executive officers in addition to the above.

\*2 Main expertise and experience of each director and auditor are listed.

The above list does not represent all the expertise and experience of each person. It indicates areas regarding which the Company has particular expectations.

## Corporate Governance

### Directors' Remuneration

A resolution on the policy on determining the content of individual remuneration, etc. of directors was passed in the meeting of the Board of Directors held on February 12, 2021. ULVAC's policy on determining the content of individual remuneration, etc. of directors is that the determination of remuneration of each director should take into consideration the responsibility of each director for not only 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. Multiple remuneration elements are evaluated in combination as described below to appropriately reflect directors' contributions according to their respective responsibilities to ensure the remuneration, etc. of each director is at an objectively appropriate level.

When determining the specific remuneration for individual directors, the Committee for Appointment and Remuneration, etc., which was established in order to ensure management transparency, fairness, and appropriateness of remuneration, etc., analyzes the level of remuneration at other companies of similar size in similar industries, etc. as ULVAC. The Committee then evaluates and verifies the aforementioned responsibilities and contributions of individual directors from various perspectives, examines the remuneration, etc. of each director to ensure that it is at an appropriate level, and submits recommendations to the Board of Directors. Based on these recommendations, the amounts of remuneration, etc. of individual directors are determined by a resolution of the Board of Directors within the total amount of directors' remuneration approved by the resolution of the general meeting of shareholders.

The remuneration, etc., of internal directors will reflect not only the appropriate supervisory function of the Company's overall management, but also multifaceted evaluations such as internal directors' responsibility for the Company's non-consolidated performance for a single fiscal year, their responsibility for the sustainable enhancement of the corporate value of the ULVAC Group, and the degree of contribution of their responsibility according to their respective positions. For this purpose, the remuneration is made up of base remuneration as fixed remuneration that is commensurate with position and paid in a fixed amount every month, annual performance-linked compensation (officer bonus) linked to the business results for the corresponding fiscal year and stock-based remuneration, etc. through a Board Benefit Trust (BBT) that is a stock-based remuneration plan determined according to the degree of achievement of annual performance targets. In contrast, from the perspective of conducting appropriate supervision of the Company's management as a whole from a fair viewpoint, external directors' remuneration consists only of basic remuneration, which is fixed remuneration.

Resolutions of the Board of Directors on remuneration, etc. of directors are determined within the extent of the maximum amount of aggregate remuneration for directors set at ¥500 million per annum (including a maximum of ¥90 million for external directors) by resolution at the Ordinary General Meeting of Shareholders. For internal directors, remuneration, etc. through a Board Benefit Trust (BBT), which was resolved at the Ordinary General Meeting of Shareholders, is also granted as performance-linked remuneration not included in the relevant remuneration limit.

The Company abolished the officer retirement benefits system.

### Evaluation of Effectiveness of the Board of Directors

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

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

As a result of analysis and evaluation about the effectiveness of the Company's Board of Directors for FY 2021, it is judged that effectiveness of the Company's Board of Directors is secured. However, proposals such as on enhancement of discussion of management strategy and sustainability have been submitted, and in our continuing efforts to enhance the effectiveness of the Board of Directors, we will accord due consideration to these proposals.

### Policy on Selection of External Directors and Auditors

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

### Initiatives to Ensure Effectiveness of Audit

Meetings of the Board of Corporate Auditors of the Company were held 19 times in FY 2021 at which important matters concerning audit, including agendas for meetings of the Board of Directors were reported

### Principal Activities of External Directors and Auditors in FY 2021

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 perspective particularly centered on 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 perspective particularly centered on 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 perspective particularly centered on 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 perspective particularly centered on 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 experience and specialized knowledge 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 experience and specialized knowledge 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.

and discussed. Based on discussions at meetings of the Board of Corporate Auditors and expertise of individual auditors, auditors provide recommendations to directors of the Company, as necessary, not only at meetings of the Board of Directors. ULVAC, Inc. secures opportunities for auditors to periodically exchange views with directors, staff of the Internal Auditing Department, and the Independent Auditor on wide-ranging matters such as compliance and the situation concerning design of internal control. ULVAC ensures that auditors are provided with information necessary for auditing and that they attend meetings they should attend from the perspective of ensuring the acquisition of such information.

### Policy on Training of Directors and Auditors

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

Newly appointed external directors receive explanations about 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 for the purpose of gaining a deeper understanding of the ULVAC Group.

For newly appointed auditors, ULVAC, Inc. provides training opportunities on a par with those for newly appointed directors upon the request of auditors. After they take office as directors and auditors, the Board of

Directors provides them with opportunities to explain business strategies and management issues, etc. for each fiscal year. ULVAC, Inc. also provides directors and auditors with financial support for training deemed necessary in order for them to fulfill their duties, as well as encouraging them to enhance their expertise. These training opportunities are reviewed on a continuous basis and updated as necessary.

### Policy on Strategic Shareholdings

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

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