

Corporate Governance

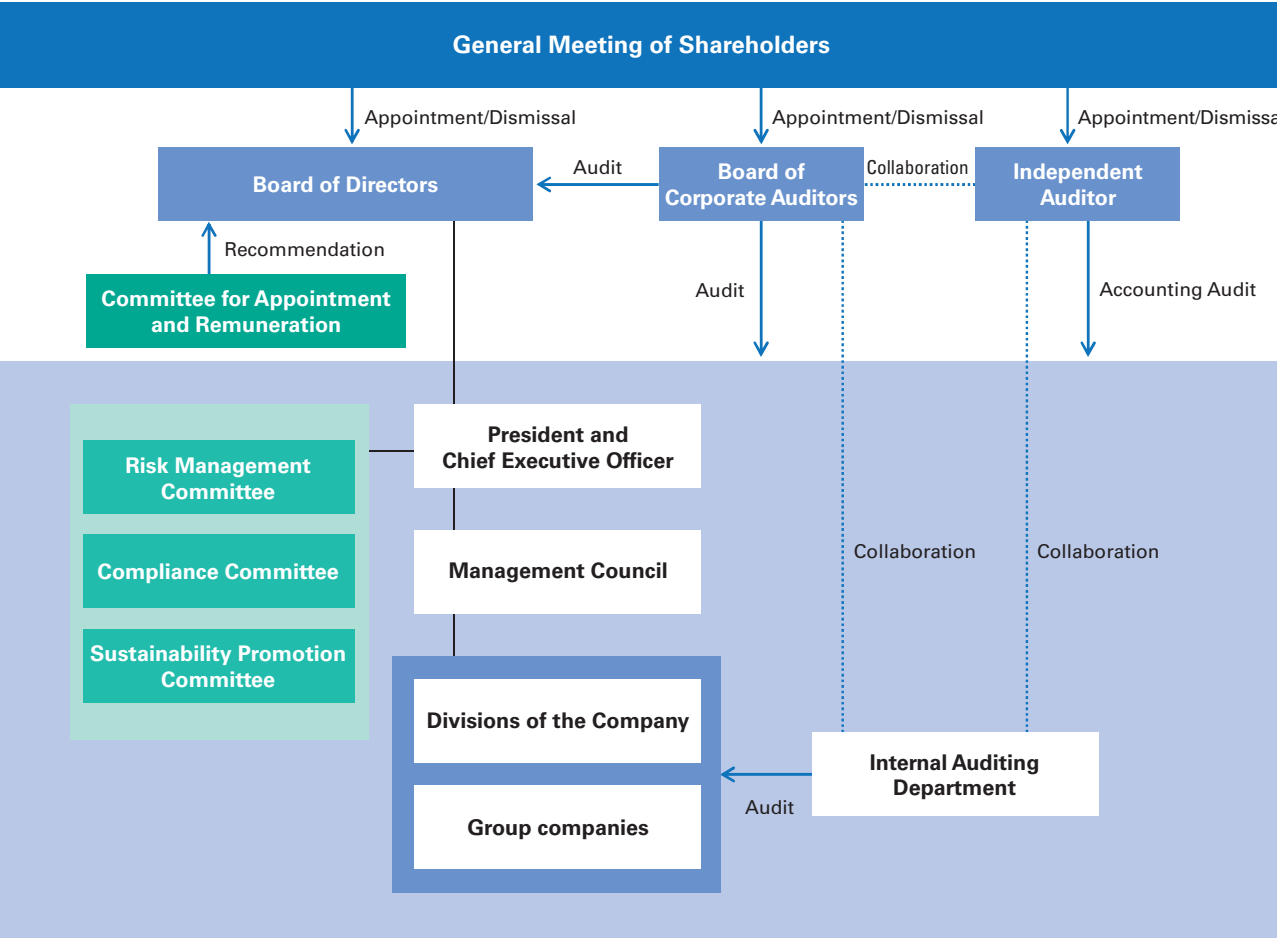
Basic Corporate Governance Policy and Structure

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 various stakeholders related to its business activities, including not only shareholders but also business partners, local communities, employees, and others.

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 also achieves fair, impartial, and highly transparent deliberations and operational supervision.
Chairperson	President	
Meeting frequency	Once a month (ad hoc meetings as necessary)	
Main Agendas		<ul style="list-style-type: none">• Medium-term management plan, plan for a single fiscal year, financial results (including dividends)• Sustainability, risk management, compliance

Committee for Appointment and Remuneration, etc.

Composition	Composition One internal director, 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 remuneration 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 increased the effectiveness of the Board of Directors.
Chairperson	External director	
Meeting frequency	Five times a year	
Main Agendas		<ul style="list-style-type: none">• Appointment/dismissal of directors and executive officers, remuneration (including evaluation of individuals)• Presidential 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, 17 executive officers	Comprising 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 departments responsible for each risk 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 address whistleblower reports. 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 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 standalone 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, ensuring that the remuneration of each director is objectively appropriate.

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 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 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, in which each director and auditor directly gives replies to an external organization to ensure anonymity

Responses are submitted directly to an external organization to ensure anonymity, and 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 FY2023, 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 the appropriateness of its size, with a view to enhancing its effectiveness through multifaceted deliberations. Candidates for the Board of Directors are carefully selected by the Board of Directors in consideration of the aforementioned aspects. The Company also gives consideration to ensuring an appropriate number of board members 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 and external auditors to provide useful opinions, such as experience as corporate managers and expertise in areas such as law and accounting. 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 external directors, the Company applies the independence criteria established by the Company.
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Principal Activities of External Directors and Auditors in FY2023

Name of external director/auditor	Reason 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 insight as a corporate executive with extensive experience in both domestic and international companies.
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 insight as a corporate executive with extensive experience in both domestic and international companies.
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 executive with experience in both domestic and international companies.
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 executive with experience in both domestic and international companies.
Senshu Asada	To receive valuable opinions based on his extensive experience and expertise as a certified 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 professional perspective as a certified tax accountant.
Isao Utsunomiya	To receive valuable opinions based on his extensive experience and expertise as a certified 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 professional perspective as a certified tax accountant.
Soya Honda	To receive valuable opinions based on his extensive experience and expertise as a lawyer	Attended 10 meetings of the Board of Directors and 14 meetings of the Board of Corporate Auditors held during the fiscal year and provided opinions concerning deliberation of the agenda as necessary, primarily from a professional perspective as a lawyer.

Note 1: Auditor Senshu Asada resigned at the conclusion of the Annual General Meeting of Shareholders held on September 28, 2023.
Note 2: Auditor Soya Honda was elected at the Annual General Meeting of Shareholders held on September 28, 2023.

Initiatives to Ensure the Effectiveness of Audits

During FY 2023, the Board of Corporate Auditors held 19 meetings, where important audit-related matters, including agendas for the Board of Directors, were reported and discussed. Based on the discussions at the Board of Corporate Auditors and the expertise of individual auditors, auditors provide appropriate recommendations to the Company’s directors as needed, not only during meetings of the Board of Directors but also at other times. Furthermore, the Company ensures that auditors have opportunities to regularly exchange opinions with directors, the Internal Auditing Department, and the independent auditor on a wide range of matters, including compliance and the status of internal control. Additionally, the Company ensures that auditors are provided with the necessary information for audits and guarantees their attendance at meetings deemed necessary for acquiring 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 of business sites, etc., 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 training that is 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.