

Corporate Governance

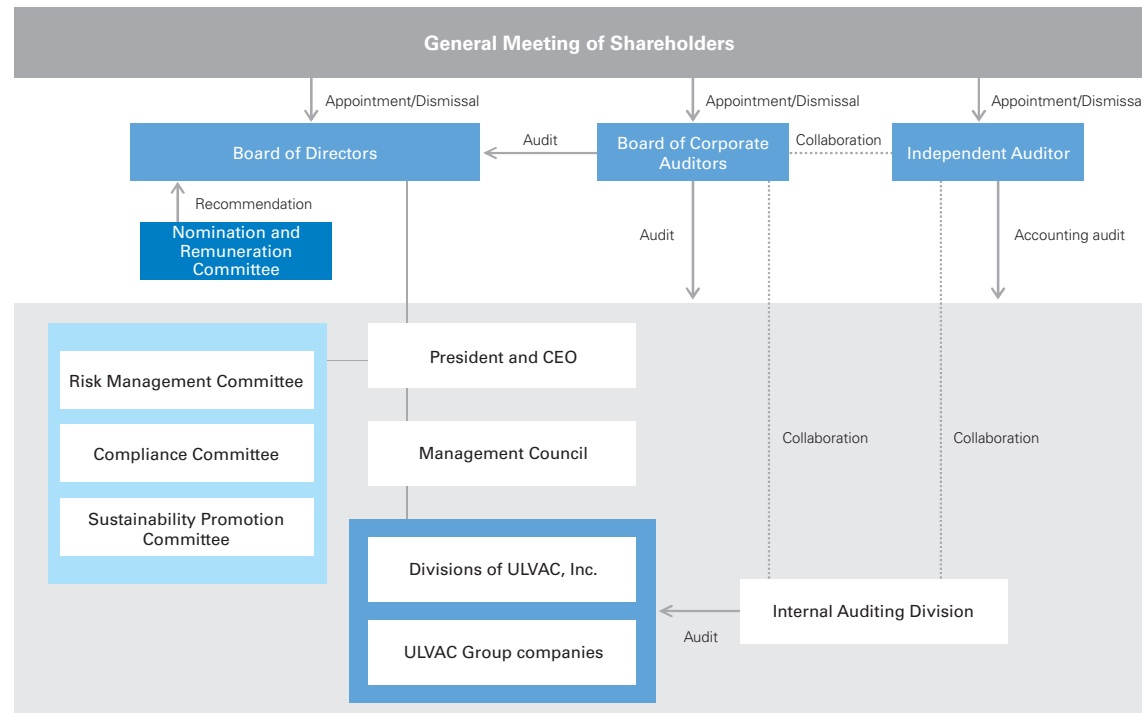
Basic Corporate Governance Policy and Structure

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

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 Nomination and Remuneration Committee, etc.
- Introduced an executive officer system

Corporate Governance Structure



Overview of Meeting Bodies

<p>Board of Directors</p> <p>Composition: Three internal directors, four independent external directors</p> <p>Chairperson: President and CEO</p> <p>Meeting frequency: Once a month (ad hoc meetings as necessary)</p>	<p>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 is also to achieve fair, impartial, and highly transparent deliberation as well as operational supervision.</p> <p>Main agenda</p> <ul style="list-style-type: none"> • Mid-term management plan, plan for a single fiscal year, financial results (including dividends) • Sustainability, risk management, compliance
<p>Nomination and Remuneration Committee</p> <p>Composition: One internal director, four independent external directors, two independent external auditors</p> <p>Chairperson: External director</p> <p>Meeting frequency: Eight times a year</p>	<p>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 remunerations, etc. 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, thereby increasing the effectiveness of the Board of Directors.</p> <p>Main agenda</p> <ul style="list-style-type: none"> • Appointment/dismissal of directors and executive officers, remuneration (including evaluation of individuals) • President succession planning
<p>Board of Corporate Auditors</p> <p>Composition: Two full-time auditors, two independent external auditors</p> <p>Chairperson: Full-time auditor</p> <p>Meeting frequency: Once a month</p>	<p>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 Division 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 CEO. By virtue of this structure, each auditor obtains sufficient information and fulfills rigorous, fair, impartial, and transparent auditing and supervisory functions.</p>
<p>Management Council</p> <p>Composition: Three internal directors, 13 executive officers</p> <p>Chairperson: President and CEO</p> <p>Meeting frequency: Once a month (ad hoc meetings as necessary)</p>	<p>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.</p>
<p>Risk Management Committee</p> <p>Chairperson: President and CEO</p> <p>Meeting frequency: Twice a year</p>	<p>Chaired by the President and CEO and consisting of risk control offices 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.</p>
<p>Compliance Committee</p> <p>Chairperson: President and CEO</p> <p>Meeting frequency: Twice a year (ad hoc meetings as necessary)</p>	<p>Chaired by the President and CEO, the Compliance Committee considers measures to prevent compliance violations and to respond to whistleblowing. It holds regular meetings twice a year, as well as ad hoc meetings as necessary.</p>
<p>Sustainability Promotion Committee</p> <p>Responsible person: President and CEO</p> <p>Chairperson: General Manager of Sustainable Management Division</p> <p>Meeting frequency: Twice a year</p>	<p>Chaired by the General Manager of the Sustainable Management Division and consisting of internal directors, internal auditors, executive officers in charge of the related divisions, and the division heads nominated by the chairperson, the Sustainability Promotion Committee sets sustainability targets, manages progress, considers policies, and discusses initiatives on key themes.</p>

Directors’ Remuneration

ULVAC, Inc.’s policy on determining the individual remuneration, etc. 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 non-consolidated 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, whereby it is ensured that the remuneration, etc. of each director is at an objectively appropriate level.

As described above, the Nomination and Remuneration Committee 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, etc. 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, etc. 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

ULVAC, Inc. conducts an annual questionnaire-based self-assessment and improvement proposal survey for each director and auditor to evaluate the effectiveness of the Board of Directors. This initiative aims to enhance the Board’s functions and ultimately increase corporate value. To ensure the questionnaire survey results lead to improvement of the Board’s functions, responses are submitted directly to an external third-party organization, which accurately reports the aggregated results while maintaining the anonymity of the respondents. The Board of Directors carries out an analysis and evaluation on the report of the aggregated results.

Based on the analysis and evaluation of the effectiveness of the Board of Directors for fiscal year 2024, we determined that the effectiveness of the Board of Directors has been maintained. However, as part of proposals to enhance the Board’s effectiveness, recommendations have been made such as the enhancement of deliberations on business portfolio. We will continuously strive to improve the Board’s effectiveness by taking into account such recommendations.

Policy on Selection of External Directors and Auditors

ULVAC, Inc. 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 appropriateness of its size, with a view to enhancing its effectiveness through multifaceted deliberations. Candidates for directors are carefully selected by the Board of Directors in consideration of the aforementioned aspects. The Company also gives consideration to optimizing the board size for speedy decision-making.

Selection Criteria for External Directors and Auditors	ULVAC, Inc.’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/auditors to provide useful opinions, such as experience as corporate managers and expertise in law and accounting, etc. 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 outside directors, the Company applies the independence criteria determined by the Company.
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Principal Activities of External Directors and Auditors in FY2024

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 insight, primarily in risk management	Attended all 16 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 insight, primarily in international sales activities	Attended all 16 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.
Kozo Ishida	To receive valuable opinions based on his extensive experience and broad insight, primarily in research and development	Attended all 16 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 insight, primarily in international sales activities	Attended all 16 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.
Isao Utsunomiya	To receive valuable opinions based on his extensive experience and expertise as a certified public tax accountant	Attended all 16 meetings of the Board of Directors and all 23 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.
Soya Honda	To receive valuable opinions based on his extensive experience and expertise as an attorney	Attended all 16 meetings of the Board of Directors and all 23 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.

Initiatives to Ensure the Effectiveness of Audit

The Board of Corporate Auditors held a total of 23 meetings during FY2024, at which important audit-related matters including agendas for meetings of the Board of Directors were reported and discussed. Based on the discussions at meetings of the Board of Corporate Auditors and the expertise of individual auditors, auditors provide recommendations to directors of the Company as appropriate and necessary, including at meetings of the Board of Directors. In addition, the Company secures opportunities for auditors to regularly exchange opinions with directors, the Internal Auditing Division, and the independent auditor on wide-ranging matters such as compliance and the status of establishment of internal control. Furthermore, the Company ensures that auditors are provided with the information necessary to carry out audits, and that they attend meetings that it is necessary for them to attend from the perspective of ensuring the acquisition of 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, etc. of business sites, 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 trainings that are 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.