About the ULVAC Group

The ULVAC Group practices CSR by fulfilling its responsibilities to all stakeholders and contributing to society through the research and development of cutting-edge technologies.

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.

Management Policies

- Improvement of Customer Satisfaction
- Innovative Production Technology
- Innovative Product Development
- A Free and Open Culture
- Enhancement of Corporate Value

Editorial Policy

We have integrated the previous Annual Report and the CSR Report into this ULVAC REPORT for the fiscal year ended June 30, 2013. This report is published to promote understanding of the ULVAC Group's operating results and CSR activities among our stakeholders, and we consider it an important communications tool.

Published:
September 2013
(Previous Japanese edition published in September 2012; the next edition is to be published in September 2014)

Guidelines Referenced:
ISO26000; 2010 (Guidance on social responsibility) first edition

Report’s Scope and Period

(Scope)
ULVAC Group

While the report covers the ULVAC Group as a whole, any portions for which the scope differs are indicated.

(Period)
Year ended June 30, 2013 (July 1, 2012 to June 30, 2013)

Portions with information relating to periods other than the above are indicated.

(Disclaimer)

Figures shown in tables and graphs in this report may not add up to the indicated total because of rounding. Some figures have been revised from previous years’ data because the scope of reporting was expanded or calculating methods have been changed.

Introduction of Our Communications Tools

ULVAC REPORT 2013
(Digest)

Brochure

Important ULVAC initiatives of which we want to inform all stakeholders are summarized and reported in a brochure.

ULVAC REPORT 2013
(Full report) Japanese and English

PDF

The steps taken during fiscal 2012 (from July 1, 2012 to June 30, 2013) are comprehensively summarized as PDF data to promote a deeper understanding of ULVAC’s initiatives among our stakeholders.

ULVAC REPORT 2013
(109th Term Business Report)

Brochure
PDF

The business overview for fiscal 2012 is recorded in an easy-to-understand manner for distribution mostly to our shareholders.
Corporate Profile of the ULVAC Group

- **Name:** ULVAC, Inc.
- **Trademark:** ULVAC
- **Head Office:** 2500 Hagisono, Chigasaki, Kanagawa
- **Established:** August 23, 1952
- **Capital:** ¥20,873,042,500

- **Number of Employees:** Non-consolidated 1,289
  Consolidated 6,579 (As of June 30, 2013)

- **Business Areas:** Development, manufacturing, sale and customer support for vacuum equipment, peripheral devices, vacuum components and materials for the display, solar cell, semiconductor, electronic, electric, metal, machinery, automobile, chemical, food product and medical product industries, as well as universities and research labs, and import and export of various equipment. Additionally, research guidance and technical advising on vacuum technologies in general.

Business Segments of the ULVAC Group

- **Vacuum equipment business**
- **Vacuum application business**

**Components**
- Vacuum pumps
- Vacuum gauges
- Mass analyzers
- Surface analyzers
- Controllers
- Heat analyzers
- Mask blanks, etc.

**Materials**
- Sputtering target materials
- High-melting-point materials and production of components
- Nano. metal inks

**Others**
- Surface analyzers
- Controllers
- Heat analyzers
- Mask blanks, etc.

**Industrial equipment**
- Vacuum heat-treating furnaces
- Vacuum melting furnaces
- Rare-earth magnet production equipment
- Vacuum freeze-drying equipment
- High-vacuum distillation equipment
- Automatic Leak Tester

**FPD and PV production equipment**
- Liquid crystal display (LCD) production equipment
- Organic LED production equipment
- Inkjet printing production equipment
- Roll coater
- Crystalline silicon solar cell production equipment
- Compound solar cell production equipment

**Semiconductor and Electronic device production equipment**
- Semiconductor (memory, logic, power or other semiconductor) production equipment
- LED production equipment
- Electronic device production equipment

**Components**
- Vacuum pumps
- Vacuum gauges
- Mass analyzers
- Surface analyzers
- Controllers
- Heat analyzers
- Mask blanks, etc.

**Materials**
- Sputtering target materials
- High-melting-point materials and production of components
- Nano. metal inks

**Others**
- Surface analyzers
- Controllers
- Heat analyzers
- Mask blanks, etc.

**Number of Employees by Region (Consolidated)**
(As of June 30, 2013)

- **Japan** 3,303
- **North America** 139
- **Southeast Asia** 139
- **South Korea** 139
- **Taiwan** 592
- **China** 1,753
- **Europe**
  - China 139
  - Taiwan 592
  - North America 139
  - Southeast Asia 139

**ULVAC Group Companies in Japan**
- ULVAC TECHNO, Ltd.
- ULVAC KYUSHU CORPORATION
- ULVAC TOKYO, Inc.
- ULVAC KIKO, Inc.
- ULVAC-RIKO, Inc.
- Reliance Electric Limited
- ULVAC EQUIPMENT SALES, Inc.
- ULVAC CRYOGENICS INCORPORATED
- ULVAC-PHI, Inc.
- ULVAC COATING CORPORATION
- SHOWA SHINKU CO., LTD.
- UNICORN, Inc.
- ULVAC ENGINEERING, Inc.
- ULVAC Human Relations, Ltd.
- SHINKU CERAMICS CO., LTD.
- FINE SURFACE TECHNOLOGY CO., LTD.

**Overseas ULVAC Group Companies**
- **North America**
  - ULVAC Technologies, Inc.
  - Physical Electronics USA, Inc.
- **Europe**
  - ULVAC GmbH
  - China
  - Taiwan
  - North America
  - Southeast Asia
- **Southeast Asia**
  - ULVAC TAIWAN INC.
  - ULVAC SOFTWARE CREATIVE TECHNOLOGY, CO., LTD.
- **South Korea**
  - ULVAC KOREA, Ltd.
  - ULVAC Automation TAIWAN Inc.
  - Pure Surface Technology, Ltd.
- **Taiwan**
  - ULVAC Opto-electronics Technology (Shenzhen) Co., Ltd.
  - ULVAC Opto-electronics Technology (Shanghai) Co., Ltd.

**ULVAC Group**

ULVAC, Inc.
Aiming to realize “strong ULVAC” by securing certain and stable profits

Q1. What is your general overview of the operating circumstances and business results for the fiscal year ended June 30, 2013?

Harsh business conditions due to stagnant FPD and semiconductor-related capital investment

The business environment surrounding the ULVAC Group had been expected to show considerable growth in the FPD and semiconductor-related markets against the backdrop of sharply expanded demand for smartphones and tablet PC from the spring to summer of 2012. However, capital investment for the relevant markets showed only temporary growth and dropped at the end of the year, the contraction of PC demand continued and capital investment for large LCD TVs remained sluggish. The business climate for ULVAC thus saw severe conditions as a whole.

Given such circumstances, sales of the mainstay FPD and PV production equipment dropped, but in the second half and beyond, organic LED-related investment started to be vigorous centering on China, which led to an increase in orders received. In addition, although both orders received and net sales decreased for semiconductor and electronic device production equipment, which were affected by sluggish demand for PCs, they have been on a track to recovery from the end of 2012 after an inventory adjustment relating to memory. Sales steadily increased mainly for small vacuum pumps in the Components segment and sales of vacuum freeze-drying in the Industrial Equipment segment performed well, and as such, sales of many product items showed a steady improvement in a variety of business fields other than electronics. Sales were sluggish in the Materials segment, reflecting the decreased production of FPDs and semiconductors.

Consequently, the consolidated performance for the fiscal year ended June 30, 2013, although orders received increased by 9.6% year on year to ¥166.4 billion, net sales dropped by 17.0% year on year to ¥163.4 billion.

Operating income was recorded by lowering the break-even point

Meanwhile, for consolidated profit and loss, we returned to the black by securing ¥6.1 billion of operating income. Gross profit to net sales increased to 22.6%, the highest value since the Company’s stock was listed, and operating profit to net sales improved to 3.7%. Free cash flows also turned to the black, recording ¥17.9 billion. These turnaround were achieved through worldwide efforts to lower the break-even point in accordance with the Structural Business Reform Plan. We achieved a considerable effect from the business structural improvement, expenses being reduced by more than 40% compared with the previous fiscal year on a non-consolidated basis through cost reduction efforts such as the reduction of manufacturing costs, restricting additional costs and streamlining fixed costs.

In particular, we implemented the “front loading” technique, through conducting thorough risk management measures before launching a new business task by gathering all the relevant factors including the level of expertise, previous data and technical specifications, all of which have been stored and managed by ULVAC. This method allowed us to restrict additional costs, thereby enabling us to keep costs within the budget. Meanwhile, we carried out a review of several non-profitable products in the Materials segment. As extraordinary losses were recorded in association with this step, the net loss totaled ¥3.8 billion for the current term. Nevertheless, this result was sufficient to ensure the improvement of profitability, which will lead to further expansion of profits in the future.

Q2. Explain the progress of the structural business reform plan and the newly formulated medium-term management plan.

Executing various reforms for increasing positive factors on profit

According to the Structural Business Reform Plan, we have executed various structural reforms for increasing positive factors on profit during the current term.

Our development strategy involves streamlining the marketing structure toward timely product development that appropriately captures customer needs and market trends. Meanwhile, as our sales strategy, we have established a sales system consisting of the Product Manager (PM) system and ULVAC EQUIPMENT SALES, Inc., a dedicated sales company in Japan. The establishment of ULVAC EQUIPMENT SALES, Inc. allows us to designate dedicated sales staff to each customer beyond the framework of operating divisions. Moreover, centering on the New Business Development established under the Corporate Sales & Marketing Division, ULVAC has begun entering new growth markets in Southeast Asia and South America.

As for the reinforcement of cost competitiveness, we are active in reducing costs via “Simple,” “Same” and “Standard,” apart from the aforementioned cost reduction efforts, and intend to pursue further cost competitiveness.

To expand the group-wide global production system, we can provide low-cost and technically superior products in areas closer to the respective customers by firmly establishing the four-pillar structure consisting of Japan, Taiwan, South Korea and China.

Furthermore, we will continue to steadily execute other measures such as personnel system reforms, operational reforms, risk management and group management.

“Strong ULVAC” to be realized by reinforcing a profitable financial position

ULVAC steadily carries out structural business reform plan and has formulated a medium-term management plan, covering period is from the fiscal year ending June 30, 2014 through the fiscal year ending June 30, 2016, as the guideline for such business structural reforms. The plan started with a basic policy of “having enough strength left for further growth” with the aim of “establishing a business structure that secures certain and stable profits.”

As described above, although the targeted return to the black in operating income was achieved, the bottom line remained in the red for the third consecutive term. We formulated the medium-term management plan to declare our intention of realizing “strong ULVAC” by reinforcing our profitable financial position, which is expected by all stakeholders including shareholders, financial institutions, customers, society and employees.

Formulation of the medium-term management plan:

1. Background to the formulation of the medium-term management plan

For the fiscal year ended June 30, 2013, net sales decreased year on year mainly due to the decline or delay of customer investment centering on LCDs and semiconductors. Although operating income returned to the black by executing the Structural Business Reform Plan, which formulated in 2012, we reviewed several non-profitable products in the Materials segment. Consequently, as extraordinary losses were recorded in association with this step, a net loss was recorded for the current term.

In current circumstances, we will further promote business structural reforms to establish a financial system of securing certain and stable profits. At the same time, we have formulated the medium-term management plan as the guideline for conducting such structural business reform plan.

2. Plan period

From the fiscal year ending June 30, 2014 through the fiscal year ending June 30, 2016.
Reinforcing our profitable financial position by executing the plan in line with three basic policies

In the medium-term management plan, in order to establish the system of securing certain and stable profits and have enough strength left for further growth, we will promote three basic policies: 1) lowering of the break-even point, 2) review of non-profitable businesses and 3) reestablishment value-creation-type business models. To reestablish value-creation-type business models, we intend to prepare development plans by precisely addressing customer needs and market trends around PM as a core system. Then, we will continue to thoroughly enhance the value of our products through activities focusing on “front loading” for manufacturing to ensure early launch with less risks and troubles.

With the above measures in place, the third initiative to ensure profits with enduring the rise and fall of capital investment in our client industries is the lowering of the break-even point. We intend to reinforce a profitable financial position by streamlining assets.

Targeting orders received and net sales of ¥205.0 billion, as well as operating profit to net sales of 8%

In the medium-term management plan, we targeted orders received and net sales of ¥205.0 billion, operating income of ¥17.0 billion (operating profit to net sales of 8%), net income of ¥11.0 billion at the end of the fiscal year ending June 30, 2016, the final year of the plan.

To meet these targets, we expect the orders received and with considerable growth for semiconductor and electronic device production equipment. Meanwhile, orders received for FPD and PV production equipment will likely remain flat as a whole, despite the anticipated revitalization of markets due to the growth of the organic LED and IGZO solutions. As for industrial equipment, stable orders received are expected in the markets for medical products and magnets in addition to the demand for capital investment in the automobile market due to the rising demand for eco cars including hybrid and electric vehicles (EVs).

Operating profit to net sales of 8%, which is targeted after three years, will require further effort in view of the operating results for the current term. However, as ULVAC has considerably lowered the break-even point in terms of net sales on a non-consolidated basis and intends to improve its profitability in the fiscal year ending June 30, 2014 and beyond, we believe that this financial target is achievable.

Continuous growing businesses by establishing a stable business structure

Q3 What is your opinion of ULVAC’s CSR activities?

Based on its corporate philosophy of contributing 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, we carry out various initiatives toward a reborn ULVAC. First, ULVAC substantially modified its personnel system and revised the Basic Policy for Human Resource Development. With these measures implemented, we intend to revitalize our organization with responsibilities to be fulfilled by individual employees and the change of mind-set to increased passion and the desire for self-betterment. Moreover, to further expand the technologies accumulated in ULVAC’s more than 60-year history, we are committed to training the human resources who will lead the next generation with the participation of employees of the Group companies by reinforcing our education for engineers.

Considering preservation of the global environment as an important social task, the ULVAC Group newly formulated the ULVAC Group Environmental Philosophy and the Environment Policy in 2012. The Group will be active with concerted efforts in developing environment-friendly products.

Q4 Lastly, please give your message to shareholders and other stakeholders.

Establishing a more solid business structure to sustainably develop businesses

Our operating income returned to the black for the current term. However, through the review of several non-profitable products, a net loss was recorded, obliging the Company to pass on distributing dividends for the third consecutive term. We apologize to our shareholders. Nevertheless, despite the harsh environment, our profit-creating capability has been considerably improved via energetic efforts. We will achieve a surplus at the bottom line and meet the expectations of our shareholders.

In addition, we will raise our development capability and establish a foundation to enhance our corporate value while having enough strength left for further growth through the medium-term management plan.

We intend to gain everyone’s trust by establishing a stable business structure and developing businesses sustainably to solidify relationships with all stakeholders including customers.

We are confident that added value in our core vacuum technology through the use of value-creation-type business models will expand our potential and contribute to the development of society. We therefore request your continued support for the future that ULVAC will create.
Toward Consistent Growth

The ULVAC Group recognizes that it has ESG (environment, society and governance) themes related to full-time activities and promotes these respective activities in response to the theme addressed in the fields of technology, organization and environment.

ESG themes addressed by the ULVAC Group

- Countermeasures against global warming
- Measures to address globalization
- Connection with local communities

Activity themes addressed by the ULVAC Group

Technology

Technology Topics: Automobiles and Vacuum
- ULVAC’s technologies that contribute to the development of automobiles
- Improve the ULVAC brand
- Structural reforms and a consistent procurement activity
- Group global business development
- Group global intellectual properties

Environment

- Development of environment-friendly products
- Environmental communication activities

Organization

- Personnel system reforms, education and mental health
- Employee CSR awareness survey
- Occupational safety and health
- Corporate governance / Compliance / Risk Management
- Corporate citizenship initiatives

Businesses of the ULVAC Group

- FPD and PV production equipment
- Industrial equipment
- Semiconductor and electronic device production equipment
- Components
- Materials
- Others
Due to the large capacity of the secondary batteries which installed in EV, PHEV and HEV, the weight of it becomes the problem. As one of the measures against this problem, making the body of the automobile lightweight becomes more important subject. The simulation of the heat treatment process is required for the development of high tensile strength steel. ULVAC-RIKO supply the heat treatment simulator for the simulation of the process with high accuracy, which was difficult for the steel. The infrared lamp heating realized the rapid heating, rapid cooling, controlling the temperature of the sample and generating the atmosphere.

Contribute Total Solutions to Meet R&D Needs

ULVAC`s Heat Treatment Simulator at Work in Automotive Lightweighting

ULVAC-RIKO, Inc.

Due to the large capacity of the secondary batteries which installed in EV, PHEV and HEV, the weight of it becomes the problem. As one of the measures against this problem, making the body of the automobile lightweight becomes more important subject. The simulation of the heat treatment process is required for the development of high tensile strength steel. ULVAC-RIKO supply the heat treatment simulator for the simulation of the process with high accuracy, which was difficult for the steel. The infrared lamp heating realized the rapid heating, rapid cooling, controlling the temperature of the sample and generating the atmosphere.
**Automobiles and Vacuum**

**Here & There, Near your side ULVAC’s Vacuum Technology!**

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**Technology 05**

**Resin Glazing**

“ULGLAZE Systems” new plasma CVD systems for the mass production of automotive polycarbonate (PC) glazing.

Compared with the conventional window glass on vehicles, PC glazing is an eco-friendly technology that reduces the overall vehicle weight and improves fuel consumption. The ULGLAZE System models are used in the processes for the deposition of scratch- and abrasion-resistant coatings onto PC.

Joint partner: SABIC Innovative Plastics

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**Technology 06**

**Wheels**

In-line type sputtering systems for deposition for wheels.

ULVAC’s systems deposit chrome or nickel chrome on wheels using ULVAC’s sputtering technique. Eye-filling appearance with excellent quality due to high adhesiveness. In addition, compared with ordinary plating technology, sputtering technique is environment-friendly due to no waste water disposal.

Photo provision source: Goodrich Corporation

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**Technology 07**

**Heat Exchangers**

FBC Series vacuum brazing furnaces

A heat exchanger is a device with which heat can be efficiently moved from a high-temperature object to a low-temperature object. For its automotive applications, light weight and high reliability are extremely important. The FBC Series models are used to braze parts for heat exchangers used in automobile components such as radiators and air conditioners.

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**Technology 08**

**Reflectors**

ULEYES vacuum evaporation system

Reflectors are essential to ensure safety for driving. They help us pay attention to approaching automobiles by reflecting beams from the head and tail lights. The ULEYES model is used in the process to deposit reflective coatings on reflectors.

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**Technology 09**

**Gasoline Tanks**

Helium leak testers

Ensuring high airtightness is important for the safety of automotive gasoline tanks. Plastic fuel tanks are more commonly used (compared to steel tanks) with features of lightness and design flexibility. ULVAC unique helium leak tester specifically optimized for plastic fuel tanks provide the world’s highest quality measurement results in high vacuum condition.

Photo provision source: Yachiyo Industry Co., Ltd.

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**Technology Collaboration for Mass Production of Coating Solutions to Drive Use of Polycarbonate for Car Windows with Exatec**

Exatec*, a wholly owned subsidiary of SABIC Innovative Plastics, and ULVAC, a leader in mass-production vacuum technologies, today announced their collaboration to accelerate cost-effective, high-volume production of weatherable, scratch-resistant, plasma-coated Lexan® polycarbonate (PC) resin for automobile windows. Under the agreement, ULVAC will manufacture turnkey mass production systems that leverage its® expertise in high-volume vacuum equipment and Exatec’s proprietary plasma coating technology.

* Trademarks of SABIC Innovative Plastics IP BV.
ULVAC Group’s Global Intellectual Properties

Global/Asian Strategy for ULVAC’s Intellectual Properties

In fiscal 2012, the Group applied for 317 domestic patents and 271 overseas patents. Granted patents totaled 572 in Japan and 400 overseas. We have seen a marked trend in recent years with ULVAC’s patent applications overseas being increasingly granted.

Meanwhile, various issues over intellectual property rights have been globalization and many incidents associated with intellectual property rights have gotten much media attention in several Asian countries. The Group is active in applying for intellectual property rights overseas to protect key technologies that support its global management. Regarding the percentage of patents overseas by country in the previous fiscal year, the rights granted in South Korea, China and Taiwan, in which ULVAC’s major customers operate, accounted for approximately 70% of the total. This figure represents a positive effect of our approach to patent applications and patent application prosecutions overseas to guarantee the use of ULVAC products by customers while appropriately meeting customers’ technical needs.

In the days ahead, the competition for development of leading-edge technologies will accelerate globally mainly in Asia, giving emphasis to the acquisition of intellectual property rights as an important means for ensuring management resources. The ULVAC Group promotes patents regarding its mainstream products in fiscal 2013 with the objective of efficient patent applications and high-quality patent overseas. Furthermore, we will evaluate the relevance of inventions with business plans, as well as the selection of patent applications overseas based on sales planning and marketing information, to reinforce our intellectual property rights.

Q1. You assumed the posts in July 2013 as the person responsible for three organizations. Please talk about the particulars of your assuming these posts and their roles.

The Procurement Center, the Information System Center and the Corporate Environment, Safety & Health Department were established as internal organizations under the Corporate Manufacturing Division in July 2013. First, they have a common goal of cross-sectional management of the relevant operating divisions and promotion of standardization and quality improvement for the operations shared by the design, production control and manufacturing departments. The second role is to start up a computerized system to arrange and search drawing/technical data by maximally leveraging the structural outline. I believe that my significant missions are to control the aforementioned three relevant organizations, promote the visualization of production-related information in an easy-to-understand manner, and consolidate and support groupwide production systems and conferences.

Q2. The medium-term management plan addresses “realizing early stable operation by way of front loading to raise customer satisfaction with forward-looking after-sales services.” This initiative draws attention internally and outside the Company as a significant step. Talk about the role of the Quality Assurance Division in its future objectives.

In the front loading concept, it is important to strengthen upstream design capability. Especially regarding quality assurance, it is necessary for us to prevent failure-related costs from accruing through a complete risk analysis in the preceding pre-design process. In collaboration with the Research & Development Planning Department, we increase customer satisfaction with consistent management of relevant data for our processes from the development stage to delivery and acceptance inspection by the customer.

Q3. In October 2012, the Group formulated the ULVAC Group Environmental Philosophy and Environment Policy. Please talk about what is expected in the environmental initiatives under way by the ULVAC Group companies.

ULVAC is one of the enterprises attracting people’s attention to its technologies in the environment and energy domains. The Group is confident that, with regard to its global environmental management, the development of environment-friendly products has an important role in solving social issues such as global warming. The Group will be active with concerted efforts to develop further environment-friendly products.

Q4. ULVAC achieved a zero frequency ratio of occupational accidents in fiscal 2012. The ratio for the overall ULVAC Group has been also declining. What are your thoughts on initiatives for occupational safety and health, as well as for product safety?

I believe that ULVAC, on a non-consolidated basis, attained a zero frequency ratio of occupational accidents in fiscal 2012 as a result of the OSHMS being implemented. We will study the implementation of the Global Integration Certifier® including the Group companies. Furthermore, we will establish a system for global responses by promoting front loading from the viewpoint of quality, environment and product safety through a consistent management of our systems for quality and environment.

*Global Integration Certification: Third-party certification of the Group companies in compliance with unified standards in terms of quality, environment and safety. In order to promote the globalization and management of our overall supply chains.
Improve the ULVAC Brand

Our goal is safe, confidence-inspiring products

Almost all production facilities of the ULVAC Group have now completed the ISO 9001 certification procedures for quality management systems. We are producing high-quality products around the world at our many production factories and joint ventures. To maintain the “ULVAC quality,” we have established ULVAC brand standards and a certification system, and have a strict check system in place for the start of production and type approval.

Reinforcement of Risk Management from the Inquiries and Order-Taking Stages

To strengthen the front loading, we focus on activities to enhance collaboration between the Sales/Engineering/Design and Production Departments in terms of technology and skills, experience and know-how, wisdom and ideas, and related information and data, as well as to incorporate the respective results into the upstream development and design process.

Making Rapid Improvements Based on Quality Information

Claim Management System (ULKES-QMS)

All information on quality issues related to ULVAC and its production facilities is managed comprehensively by the Claim Management System, enabling the information to be shared by the Group. The system started operation anew from fiscal 2013 as “ULKES-QMS,” a new quality management system. The system identifies persons in charge within the process at the Chisago Head Office/Plant or our manufacturing assignees and also notes the date. Any customer complaints after product delivery are also processed by this system. If the situation is particularly serious, the information is labeled as a “Critical Claim” and reported at the monthly business meeting (a regular monthly meeting in which the President and division managers participate), where responses are discussed and determined via a top-down approach.

Globalization of the ULVAC Brand

Based on a checklist, the products of the ULVAC Group are assessed with respect to their model registrations; clarification of commercial distribution; compliance with the standards of ULVAC trademarks; management system for quality, environment, safety, hazardous substances, etc.; protection of intellectual property rights; and technology leakage preventive measures, among others. After this assessment, the products are then examined and approved. Only the products that satisfy all of these criteria are permitted to be manufactured, produced and sold. Such products are maintained and managed using the product, production and sales matrix for ULVAC Group products. Such a strict system allows us to distribute “ULVAC Quality” around the world, thereby supporting our globalization.

Quality Assurance System Concept in Relation to Development and Design Flow

As for quality inspection and quality system operations, the quality assurance department has been allowed to operate independently and independently quality inspection and quality system operations have taken root at several ULVAC operating bases.

Quality inspections at ULVAC, Inc., ULVAC TAIWAN INC., ULVAC KYUSHU CORPORATION (all of which are in Japan), ULVAC KOREA, Ltd., ULVAC TAIWAN INC., and ULVAC (China) Holding Co., Ltd. are conducted pursuant to the globally unified ULVAC standards by ULVAC-certified quality inspectors in accordance with the quality control and inspection systems independently established at the respective operating bases. These Group companies conduct internal audits independently with regard to quality-related agreements for the outsourcing of production and have established a collaborative system through which the Company and related companies can address mutual issues.

Quality inspection overseas

ULVAC KOREA, Ltd.

ULVAC (China) Holding Co., Ltd.
Structural Reforms and a Consistent Procurement Activities

Promotion activities of the 3S, Global Production and Cost Reduction

In fiscal 2013, ULVAC will create renewed co-existence and co-prosperity relationships with suppliers by continual promotion activities of the 3S, Global Production (Procurement) and Cost Reduction, which accompany structural reforms executed in the previous fiscal year, and address the improvement of ULVAC’s overall profitability.

1. 3S (acronym of Simple, Same and Standard)
We intend to promote the 3S (acronym of Simple, Same, Standard) activities for ULVAC products to increase their cost competitiveness. The procurement department will actively engage in the production activity of the operating divisions and commit to precoc-procurement activity at the pre-process stage, as well as post-process activity in the course of manufacturing (“monozukuri”).

2. Global production (procurement)
We will increase the overseas procurement ratio and promote cost reduction of the parts. Especially in the Chinese region, we will increase purchases from China through collaboration with the China Procurement Center which transferred the arena of activity in the previous fiscal year from Suzhou (ULVAC Suzhou Co., Ltd. [USZ]) to Shanghai (ULVAC China Holding Co., Ltd. [UCH]). Meanwhile, we hold the ULVAC Group Procurement Departmental General Managers’ Conference to share information globally and optimize overseas procurement.

3. Cost reduction
In addition to the 3S and global production (procurement), we will review the purchasing method of parts to assure systematic planned production activity for our suppliers using the depositary inventory or the bundled ordering method. Also, we will strive to reduce fixed costs through continuous review of our business content and radical business improvement by rejection of useless operations.

ULVAC Quality Created with Certified Quality Suppliers

Enhancing the maintenance of high quality and its system
ULVAC’s supplier certification system became operational domestically in fiscal 2010. The system aims to ensure all procured products are of the same quality for all deliverables from suppliers worldwide. In fiscal 2012, the failure rate of domestic deliverables successfully declined below that of the desired quality standard of the supplier certification system. This favorable result suggests that the sincere cooperation of our suppliers, which have a good understanding of ULVAC’s groupwide quality improvement activities, was obtained. Meanwhile, at overseas operating bases of the ULVAC Group, similar quality improvement activities have already begun including the evaluation of suppliers by ULVAC KOREA, Ltd., ULVAC TAIWAN Inc. and ULVAC (SUZHOU) Co., Ltd. The achievement is beginning to appear.

In fiscal 2013 and beyond, we will additionally enhance the quality for all deliverables from suppliers and promote simplification of the acceptance inspection procedure. Under the supplier certification system, the stable supply of the identical quality of parts supplied by the certified suppliers will become available, making the acceptance inspection by ULVAC more efficient and thereby improving the throughput to the post-process significantly.

Response to “Conflict Minerals Issue”

The ULVAC Group has declared “the ULVAC Group Basic Procurement Policy” regarding the observance of laws and regulations, the maintenance and promotion of fair and free competition, and the establishment of sound and friendly relationships with suppliers. In the current term, for the purpose of establishing more confident partner with suppliers and fulfilling our social responsibility as a part of supply chain, we hereby request that the newly listed nine items below be compiled including the response to conflict minerals issue.

1. Laws and Regulations, and Social Norms
2. Fair Transactions and Corporate Ethics
3. Respect of Human Rights and Occupational Safety and Health
4. Safety and Quality of Products and Services
5. Information Security
6. Environmental Preservation
7. Realization of Appropriate Prices and Delivery Times
8. Improvement of Technical Strengths
9. Sound and Stable Corporate Management

For the conflict minerals, which are taken up in “1. Laws and Regulations, and Social Norms,” refer to the following.

[Conflict minerals]
Conflict minerals refer to certain minerals from the Democratic Republic of the Congo (DRC) and surrounding countries, of which mining and trading finance or benefit armed groups directly or indirectly, or which are the source of human rights violations and/or labor issues. The Dodd-Frank Act, which was established in July 2010, requires publicly traded companies in the United States to perform due diligence with respect to the sourcing of conflict minerals and to file and disclose annual reports relating to the use of conflict minerals. Considering that these initiatives regarding conflict minerals under the Act are a social responsibility of an enterprise, ULVAC Group intends to address initiatives toward the non-use of raw minerals which are mined or exploited with unfair funding and/or illegal methods, as well as the non-use of parts and components containing such conflict minerals.

Practicing a Modal Shift

We have adopted a modal shift to change the conventional air transportation to the combined use of railway and ferry transportation to reduce logistics costs and CO2 emissions. Specifically, we switched the means for transporting cargo from the Chiba Port to the Chiba Port followed by loading onto a ferry from the Chiba Port to to Moji Port, followed by loading onto a ferry from Moji Port to Pusan Port, South Korea. This measure allows us to achieve time lines almost equivalent to those via airplanes.

This modal shift has contributed to a considerable reduction of the environmental impact with a CO2 emission-reducing effect of 97% against the use of air transportation. We will continue to promote modal shifts similar to this case.
ULVAC Group’s Global Business Development
Deeply Enrenched in Local Region

True globalization requires that the Group has solid interactive business strategies that incorporate not only the viewpoints of our ULVAC Head Office/Plant in Japan, but also the strength, satisfaction and market needs of the Group companies, especially those of overseas affiliated companies with business bases abroad. The ULVAC Group consists of a number of Group companies that boast excellent technologies and those with powerful sales bases and/or production systems locally in the countries or regions in which they operate. By establishing a collaboration system to assemble our collective strengths, we endeavor to meet the expectations of ULVAC product users who conduct global operations and contribute to enriching the lives of the people who work at our Group companies.

1. ULVAC KOREA, Ltd. (UK); Sun Gil Kim, Senior Director

ULVAC KOREA, Ltd., which was established in 1996, became the first company in South Korea to domestically produce sputtering systems for LCDs in 2001. Since then, ULK has relocated its infrastructure with measures such as nurturing technical human resources, the domestic production and procurement of core components; and the establishment of systems for the bonding, surface treatment, cleaning and processing of targets, as well as for quick after-sales services. At present, UK is capable of producing equipment covering a variety of industrial fields, in which vacuum technology is required, and UK has provided both South Korean and overseas customers with total solutions. Its customization-oriented customer relations system to closely address customers’ requests ensures high-quality and affordable equipment. In addition, in compliance with the International Environmental Management Framework (ISO) activities extending from the core institute for Super Materials, we make our utmost efforts for higher customer satisfaction by firmly promoting ULVAC’s proposal activity, of which a goal is to improve the productivity and the yield rate at our customers through continuous improvement and reinfomting processes for existing ULVAC equipment.

Furthermore, we pursue co-prosperity and mutual growth with cooperative companies through the increased effects of improved quality improvement, employment, and sales and profit amounts due to the technical guidance provided.

2. ULVAC TAIWAN, Inc. (UTI), Tainan Plant: Qiong Feng Chen, General Manager

As a constituent of the ULVAC Group’s global production system, UTI’s Tainan Plant engages in manufacturing equipment, the provision of manufactured parts and local after-sales services mainly for the FPD, electronic parts and semiconductor industries. Its high quality of products equivalent to those offered in Japan and speedy customer treatment are acclaimed.

Taking advantage of its high-quality and low-cost production capability, its extensive business network covering Japan, China and Southeast Asia, and the excellent language ability of its experienced staff, UTI intends to develop the plant as the Group’s state-of-the-art production base to respond to increasing orders and support global production worldwide.

3. ULVAC Opto-electronics Thinfilm Technology (Shanghai) Co., Ltd. (UOT): Zhi Hua Wang, President

UOT, which was established in April 2009 as a joint venture between ULVAC and HIVAC, manufactures in-line sputtering systems for touch panel production. The popularity of tablet PCs and smartphones has been exploding in recent years. We at UOT daily address the delivery of in-line sputtering systems at low prices by matching ULVAC’s cutting-edge technology and in-line production demand in China. I am deeply honored by the important role of an executive as the responsible person in charge of the engineering and manufacturing division of UOT.

4. ULVAC Orient (Chengdu) Co., Ltd. (UCD): Hong Jun Wang, Vice President

Since its foundation as a joint venture between ULVAC and CDOD, UCD has aggressively developed business opportunities in new industries and tapped international markets under the management philosophy of “Quality No. 1, Service No. 1 and Share No. 1 in the Industry.” Regarding the challenge to enter new industries, for example, we succeeded in developing full-automatic sheet testers of ULVAC quality to inspect automobile wheels, water heaters and bulbs by fully demonstrating our technical expertise in the antiquities field. Such initiatives have more than offset the decline in sales from the refrigeration industry, which has been stuck in recession. Noted, regarding the development of international markets, we fully draw on the global sales service network of the ULVAC Group. Consequently, we have expanded our sales channels to Southeast Asia, North America and even to South America by sufficiently taking advantage of our cost competitiveness via UCD’s own design and manufacturing capabilities, as well as with the support of the ULVAC Head Office/Plant and overseas Group companies. As a result, orders overseas in 2012 accounted for approximately 30% of the overall orders received by UCD. Net sales in 2013 grew to 10 times higher than in 2003.

5. ULVAC Vacuum Furnace (Shenyang) Co., Ltd. (UFV): Shi Hua Wang, President

UFV, which started operation in 2005 as a joint venture between ULVAC and China CNVAC, has developed as an established company with a strong foothold in this domain. We at UFV daily address the delivery of in-line sputtering systems at low prices by matching ULVAC’s cutting-edge technology and in-line production demand in China, since we are deeply honored by the important role of an executive as the responsible person in charge of the engineering and manufacturing division of UFV.

6. ULVAC Opto-electronics Thinfilm Technology (Shenzhen) Co., Ltd. (UOT): Zhi Hua Wang, President

UOT, which was established in April 2009 as a joint venture between ULVAC and HIVAC, manufactures in-line sputtering systems for touch panel production. The popularity of tablet PCs and smartphones has been exploding in recent years. We at UOT daily address the delivery of in-line sputtering systems at low prices by matching ULVAC’s cutting-edge technology and in-line production demand in China, since we are deeply honored by the important role of an executive as the responsible person in charge of the engineering and manufacturing division of UOT.

Cornerstone of ULVAC’s Globalization:
Global Production Planning Department

The Global Production Planning Department, was newly established in fiscal 2013. Its primary role is to maximize the ULVAC Group’s business activities by effectively leveraging the globalizing markets and manufacturing and/or sales bases worldwide. The section plans development strategies to enter the markets of emerging nations where future development is highly expected and reviews existing rule and/or systems so that the Group can demonstrate its collective strengths for global manufacturing and product development including domestic production as a Japanese manufacturer. Moreover, in active collaboration with other business divisions, we lead the process of developing strategies and policies for future projects at the relevant business divisions.
Environment

We would like to introduce the ULVAC Group’s global environment contribution measures such as environment-friendly products and various measures taken by the Group companies.

Global Environmental Management of the ULVAC Group

The ULVAC Group, under its environmental policy “Develop products that contribute to energy saving, resource saving and environmental conservation,” is emphasizing the development and production of products that maximize their environmental contribution when used by customers. We also thoroughly manage energy consumption and waste emissions in our business operations to minimize the environmental impact of our business activities.

In fiscal 2012, with a goal to achieve zero environmental accidents, the ULVAC Group conducted thorough environmental management on a daily basis and shared information closely among the Group companies. As a result, no serious environmental accidents that could affect communities occurred.

The ULVAC Group will continuously promote environmental protection through its products and reduce the environmental impact.

Environmental Management of the ULVAC Group

The ULVAC Group, which operates in a number of regions including Asia, Europe, the United States and Central and South America, has a global production system and it is necessary to share information among the Group companies and implement directions from top management speedily and accurately. To that end, we hold regular meetings of the Global Environmental Management Committee, attended by the major Group companies, to report and deliberate on various environmental issues. Meanwhile, to prevent serious environmental accidents from occurring, environmental inspections are conducted regularly by the environmental management personnel of each Group company to monitor the environmental activities conducted at each company. The ULVAC Group continues to promote environmental management both in software and hardware.

Environment-Friendly Products

ULVAC-PHI, Inc.

PHI X-tool Automated XPS Microprobe with less energy consumption

The X-ray Photoelectron Spectroscopy (XPS) or Electron Spectroscopy for Chemical Analysis (ESCA) method is a measurement of photoelectron spectra emitted from the 10-nm surface of the solid matter by irradiating an X-ray on its surface to obtain information on its chemical composition and bonding. The earnings per share, the most popular methodology for surface analysis, is widely used for the chemical surface analysis of especially highly functional materials and devices including surface treatments (adhesion, smoothing, de-molding, transcription) and surface abnormalities (pollution, discoloration, corrosion, unevenness, extraneous matter), catalysts (waste gas, fuel batteries) and thin film (disc media, solar battery).

The PHI X-tool, which is included in the Company’s XPS equipment lineup incorporating the Company’s proprietary X-ray scanning technology, can automatically select the area for spectroscopy in a range from less than 20 µm to a few mm and conduct flexible measurements under conditions fitted for the sample. Compared with conventional equipment, this product focuses on certain limited functions and is designed to be able to conduct a series of analyses using the touch panel easily even by beginners. Also, utilizing the most advanced electronics technology, this environment-friendly product can help control energy consumption and allows efficient operations including baking, which is indispensable for ultra vacuum technology. Furthermore, compared with conventional equipment, both its regular operations and baking can take less than 1.6 kW (@200V), achieving astonishingly low energy consumption, thereby helping customers control electricity use by switching from a 50A to a 20A circuit breaker.

Tanbo (rice field) Project

On May 25, a beautiful sunny day, this year’s Tanbo Project began with people in high spirits. With the number of participants increasing each year, this Tanbo Project is in its fourth year. Unprecedented turnout of more than 100 persons participated in the second event of the project, which was nature observation.

This project was featured in the local community magazine TOWN NEWS, helping disseminate information on Tanbo Project activities outside of ULVAC.

I’ve been participating in Tanbo Project for years. The rice field area is increasing each year and so is the number of participants, including children, students, NPOs and volunteers. This year, I felt something special about this place and a synergy that can be found only on this project.

We can conduct this project thanks to the landowner’s dedicated efforts. I would like to do what I can do to support this project.

Jiro Kikuchi
Corporate Manufacturing Division

For more details on the ULVAC Group’s environmental initiatives, visit the URL:

http://www.ulvac.co.jp/csr/
**ULVAC TOHOKU, Inc.**

**Forestation activities at the Southern Taiwan Science Park (STSP) to establish Kibo-no Mori (forest of hope)**

Sponsored by the Southern Taiwan Science Park Administration, Kibo-no Mori forestation activity was conducted at the Tainan Science Park on March 27, 2012. On that day, approximately 500 participants planted nursery stock. Yun-Hsiang Wei, Vice President of ULVAC TAIWAN INC. and employees of the company’s Tainan plant participated in the activity. Research material issued by the Forestry Bureau, Board of Agriculture, Forestry Administration Division in Taiwan noted that by planting one tree on earth, a reduction of 12 kg of CO₂ is achievable in a year. Our goal is to plant approximately 4,000 pine trees at Kibo-no Mori at the Tainan Science Park, thereby reducing CO₂ by 4.8 tons annually. ULVAC TAIWAN INC. will continue to participate in this activity, thereby contributing to the effect of the Group’s thorough energy management.

**Transition of the ULVAC Group in fiscal 2012**

In fiscal 2012, in promoting its structural reforms, the ULVAC Group aggressively promoted 3S+1D (Simple, Same, Standard + Difference) and reviewed its use of energy, utilities and chemical substances, etc., in production and development aiming for increased efficiency. With regard to electricity use, despite the addition from three Group companies of data collection (electricity use of the three companies was about 2% of the Group’s total), we reduced total electricity use of the ULVAC Group by 2%. This significant result was largely attributable to the accumulation of each company’s energy-saving activities. In addition, for other kinds of energy, a reduction of more than 10% was achieved, reflecting the effect of the Group’s thorough energy management.

**Introduction of waste reduction activities by each Group company**

- **Introduction of waste reduction activities by each Group company**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Unit: tons (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tree planting</td>
<td>2,049</td>
</tr>
<tr>
<td>Introduction of waste reduction activities</td>
<td></td>
</tr>
</tbody>
</table>

- **Breakdown of the volume of recycled waste converted to resources**

<table>
<thead>
<tr>
<th>Type of waste</th>
<th>Unit: tons (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap metal</td>
<td>695</td>
</tr>
<tr>
<td>Glass, pottery, waste</td>
<td>1,769</td>
</tr>
<tr>
<td>Wood chips</td>
<td>1,600</td>
</tr>
<tr>
<td>Waste plastic</td>
<td>511</td>
</tr>
<tr>
<td>Other</td>
<td>527</td>
</tr>
<tr>
<td>Total</td>
<td>3,014</td>
</tr>
</tbody>
</table>

The ULVAC Group strives to reduce the environmental impact of its business activities and continue to promote environmental management activities with concerted efforts at all Group companies.

**Material Balance (ULVAC Group)**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Unit: tons (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Input</strong></td>
<td></td>
</tr>
<tr>
<td>Electrical energy</td>
<td>156,750</td>
</tr>
<tr>
<td>Gas usage</td>
<td></td>
</tr>
<tr>
<td>LPG</td>
<td>180</td>
</tr>
<tr>
<td>LNG</td>
<td>667</td>
</tr>
<tr>
<td>City gas</td>
<td>1,625</td>
</tr>
<tr>
<td>Fuel use</td>
<td></td>
</tr>
<tr>
<td>Heavy oil</td>
<td>612,000</td>
</tr>
<tr>
<td>Kerosene</td>
<td>33,000</td>
</tr>
<tr>
<td>Diesel oil</td>
<td>99,000</td>
</tr>
<tr>
<td>Water use</td>
<td>1,350,000</td>
</tr>
<tr>
<td>Packaging materials</td>
<td>2,103</td>
</tr>
<tr>
<td><strong>Output</strong></td>
<td></td>
</tr>
<tr>
<td>CO₂ emissions from transportation</td>
<td>1,488</td>
</tr>
<tr>
<td>Volume of recycled waste converted to resources</td>
<td>1,769</td>
</tr>
<tr>
<td>Total volume of waste emissions</td>
<td>6,457</td>
</tr>
<tr>
<td>Volume of recycled waste converted to resources</td>
<td>1,769</td>
</tr>
</tbody>
</table>

The ULVAC Group has been developing business operations at its Group companies worldwide, of which each company is conducting aggressive activities to save energy and resources for their efficient use. With efficient energy use strongly in demand, the ULVAC Group strives not to waste energy.
Education for Engineers

Accumulation and Sharing of Technologies and Passing Them on to Our Successors

We have been providing education for engineering-related employees since January 2013. Such education is provided for the purpose of acquiring basic technologies (ubiquitous principles, knowledge acquired based on trial and error, core technologies and common sense) with an aim to reinforce technological capabilities and accumulating and sharing technologies and finding and nurturing successors to pass on our technologies. Lectures are given by our employees with ample knowledge of the technologies featured by such lecture sessions. We document the expertise and technologies that have been accumulated at ULVAC and use such materials to educate our employees, thereby ensuring the accumulation of our valuable technologies is passed on to successors in the Company.

The engineering education handles technologies in immediate need or of high priority that are selected from among past issues and those reported at meetings for reporting technological issues in immediate need of action at least twice a year. Education for engineers is, in principle, provided once a month and is held at ULVAC's head office or at the base. Seven sessions were held from January to July 2013. One session had 250 attendees including those from Group companies.

Mental Health Education

Self-Care

Although our mental health education used to be separated conduct for each tier at each milestone such as when employees joined the Company or were promoted, we have started self-care educational sessions that all employees can take whenever they want. Currently, our self-care education offers themes such as active-listening, cognition and assertion. In self-care education, emphasizing participants’ improvement and learning, workshops are conducted in a small group consisting of up to 30 people. We are receiving positive feedback from participants such as “I will be able to utilize this learning for workshops meeting” and “I will be able to use this both for work and for my private life.”

Overseas Internship

ULVAC has been accepting foreign students as interns every year. From among such students, Alex and Stefan from Germany were interviewed.

1. What was your first task at ULVAC?
Alex: One of my first tasks was to build a program in LabVIEW. At first I had to learn the basics of LabVIEW. The purpose of the program is to move a stepper motor up and down. The program should include user friendly features such as a window and a button. I also made a user interface for starter and monitor. It was assembled and tested by me. Now I’m helping a few positioning device to focus a camera.

Stefan: I first had to learn how to handle the machines for sputtering, measuring the thickness of thin films and measuring the transparency and resistivity of thin films. Now that I’m able to handle the machines I produce thin films of 2um in different environments and measure its properties afterwards.

It’s an interesting and challenging task, especially to get an understanding of the technologies featured by such lecture sessions. We document the results of the measurements.

2. How do you want to make use of what you have learned in a company in the future?
Alex: In general I think the ability to solve problems self-reliant and if I go on with learning LabVIEW it will be very useful for me because LabVIEW is a powerful program used in many companies. Apart from this I am now used to present my group works used in international environments and maybe think outside of the box when problems might occur.

Stefan: I try my best theses I already gained some skills in the characterisation and measurement of CGS - thinfilms. The skills I acquire here will expand my knowledge about measurement techniques and also get an inside into the industrial reduction in a leading company. I also learn the language it’s not easy, but I try to practice every day after while I internships and I hope I can speak, read and write a little bit of Japanese and culture that is so interesting and I can learn so much personally from.

3. What do you think of ULVAC as a company?
Alex: About the atmosphere in the company I can only say positive things. It seems like everyone is caring for each other and some of the managers are bringing sweats from places they have visited. Even the working culture is positive and people tend to stay longer if they have work left to be finished. One point which might be improved seems to me the productivity while preparing presentations. I remember the quarterly meeting of our division where people were holding presentations throughout the whole day and I felt very tired after this day. Maybe I wasn’t the only one. This could be improved if the people attend the soft-skill workshops in how to do well through presentations and better way of performing a power point presentation.

Stefan: I appreciate the harmonious and productive atmosphere that every employee is creating here. The skill and know-how of the employees will enable the company to also go through crises of the markets and come out in a stronger position than before. My impression of the facility is that it’s all very modern and progressive, it is a beautiful place to work at.

To reorganize into a value-creation-type business model, the Company must evolve through self-transformation. We promote a system in which human resources who support new and improved ULVAC can make the best use of their capabilities.

Organization

Invigorate the Individuals and Organization of ULVAC through Personnel System that Rewards Efforts and Outcomes.

As part of its business structural reforms, ULVAC made significant change in its personnel system, reviewing the remuneration and evaluation systems so employees can share a profit-seeking mind-set and be on the same vector.

ULVAC Reformed Its Personnel System

Although the Company had adopted a seniority-based personnel system for a long time, at the recent business structural reforms, we shifted direction to a personnel system where employees who make great efforts are rewarded properly. Specifically, a drastic review was made of the remuneration system such as salaries and bonuses, as well as the evaluation system that supports the remuneration system.

Compared with the conventional remuneration system, the new, tier system reflects each employee’s roles, business performance, progress and outcomes regardless of seniority. At the same time, each employee is expected to fulfill his/her responsibility with passion and aspiration to improve himself/herself, and thus, we strive to integrate individual employees and the organization by changing the mindset.

Our new evaluation system, instead of emphasizing only business results, an attitude to “tackle challenging issues courageously and unflinchingly” and “work as a team” are highly encouraged. We will continue to value and nurture a corporate culture in which employees are free to generate ideas and are not afraid of failure, because such a culture is important for a changing the mind-set. Where employees can freely generate ideas and are striving to invigorate individual employees and the organization by fairer system reflects each employee’s roles, business performance, progress and outcomes regardless of seniority.

Basic Policy for Human Resource Development (Revised in fiscal 2012)

1. Human resources who have a global perspective and aim to take leadership in exploring the world
2. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
3. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
4. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
5. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
6. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
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8. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
9. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
10. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.

11. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
12. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
13. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
14. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
15. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
16. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
17. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
18. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
19. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.
20. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals.

To reorganize into a value-creation-type business model, the Company must evolve through self-transformation. We promote a system in which human resources who support new and improved ULVAC can make the best use of their capabilities.
We conducted the Employee CSR Awareness Survey to ascertain ULVAC employees' level of recognition and awareness of CSR during the period June 13‒28, 2013. We conducted this Web-based questionnaire as we did in the previous year. The questionnaire was answered by 1,372 employees (a participation ratio of 38.3%), of which we tallied answers from 1,255 employees and UPIX, the ULVAC Precious Index and Average, was calculated from the survey results using ULVAC's own formula. The UPIX's average value is 50, which was the average in the fiscal 2011 survey result. The higher the UPIX, the higher the evaluation in CSR awareness, which was the same as the previous year (Fig 1). We need to promote CSR activities and create a better workplace by listening to younger employees and middle-tier employees, who will support ULVAC's future. Next, UPIX by age showed a tendency that the older the employee, the higher the evaluation, which was the same as the previous year (Fig 2). We need to promote CSR activities and create a better workplace by listening to younger employees and middle-tier employees, who will support ULVAC's future.

Concerning the UPIX by occupational type of business division, Management showed good results with values above 50. However, Sales, which showed a good result of 50.4 in the previous fiscal year, had a significantly lower UPIX value of 44.1 this year, for which we think the reason is the drastic organizational change (Fig 1).

To detect and treat mental illness as early as possible, we started to provide mental health checkups at the same time the physical health checkups are given. Any employees who are determined to require treatment as a result of the checkup are interviewed after the checkup by the occupational physician and occupational health nurses, who provide advice and counseling.

We offer an internal desk at the Health Promotion Office for employees who seek consultation regarding issues of mental and physical health. Various requests for consultation from employees are responded to by the occupational physician and occupational health nurses at the Office, who offer advice on how to spend time at home and at the workplace and refer those needing medical treatment or examinations to a medical institution.

Employees who are on a long leave to treat mental illness are regularly interviewed by the occupational physician and occupational health nurses to support their recovery and a smooth return to work. In addition to providing these interviews, we promote efforts to use external facilities that support a return to work and improve the workplace environment for such return. As a result, our employees returning to work after a long leave is higher than 90%. With increasing awareness of the internal desk for health consultation, we are seeing fewer cases of mental illness becoming worse along with the effect of mental health education for supervisors. This leads to a decrease in the number of employees who end up on leave for treatment at home by approximately 75% compared with fiscal 2010.
Occupational Safety and Health

Among the ULVAC Group, “Safety First” is an ideal built into its Basic Philosophy of business operations, and as such we endeavor to secure safety and health both in our workplace environment and in products and services for our customers. By operating our Occupational Safety and Health Management System (OSHMS), which focuses on risk assessment, we aim to create an ideal environment.

1. Operating the OSHMS system

ULVAC is fully committed to occupational safety and health activities to ensure the safety and good health of our customers and employees. The number of production accidents at our customer sites has decreased gradually, reaching 62% of the fiscal 2008 level in fiscal 2012. Meanwhile, ULVAC achieved a zero frequency ratio of occupational accidents in fiscal 2012.

ULVAC’s Occupational Safety and Health Management System (OSHMS) constitutes an underlying structure for all occupational safety and health activities at ULVAC. Beginning in fiscal 2013, a management review by the General Safety and Health Manager for the entire company, management reviews by division managers for their own divisions, and workplace safety meetings by Safety Officers on a block basis have been regularly held, ensuring involvement in safety and health management efforts throughout the Group from top management to onsite workers. In fiscal 2013, we are making consistent efforts to enhance the risk assessment concerning production activities to achieve the better safety of the workplace environment.

Natsuki Takahashi, General Manager
Corporate Environment, Safety & Health Department

To ensure the safety and health of our customers and employees

2. Carrying out global measures to address overseas business expansion

In response to the increasingly rapid expansion of the ULVAC Group’s overseas business operations, the importance of safety activities on a groupwide basis is essential. The ULVAC Group has held meetings of the Global Safety Committee attended by representatives of the Group companies to promote safety and health activities toward unified goals. In fiscal 2012, we launched the operation of the OSHMS system throughout the Group, and each Group company is now making proactive and independent efforts to promote the system. As a result, contrary to the expansion of businesses, occupational accidents at ULVAC have been on a gradual decline throughout the Group.

3. Labor safety

In fiscal 2012, we attained a zero frequency ratio of occupational accidents for ULVAC, Inc. This was largely due to steady companywide efforts to promote risk assessment. The number of occupational accidents for the entire ULVAC Group has also decreased by year, and the frequency ratio thereof in fiscal 2012 decreased to 10% from two years earlier.

4. Product safety

Due to the various measures taken to date, the product accident rate has been gradually decreasing, although the rate in fiscal 2012 remained almost unchanged from the year before. In fiscal 2013, we will seek to enhance the safety of ULVAC products by putting greater efforts into education on product risk assessment and to eliminate product accidents on a global level for all employees engaged in manufacturing to the handling of products.

5. Disaster prevention

Based on the lessons learned from the tsunami disaster after the Great East Japan Earthquake and subsequent nuclear power plant accidents, the concept of regional disaster prevention has acquired growing attention.

At ULVAC, we set up a fire prevention unit for each block of the working area and conducted a disaster drill on a block basis to ensure that each block can respond autonomously to an emergency. The drill covered various emergency trainings, such as for independent emergency evacuation in the event of earthquake, firefighting, rescue of the injured, evacuation guidance, removal of obstacles, evacuation on a block basis, safety confirmation and communication with the headquarters.

6. Emergency life-saving initiatives

We have six AEDs at the Chigasaki Plant, where we are providing an internal training program to increase emergency life-saving capabilities and the awareness of employees. With the cooperation of the Chigasaki Fire Station and the Chigasaki Association for First Aid Dissemination, we offer a program for the certification of life-saving capabilities every year. In addition, we began offering a shorter program limited to minimum life-saving skills, such as cardiopulmonary resuscitation and use of an automated external defibrillator (AED), in fiscal 2012. We believe employees who acquired life-saving skills through these programs will use them effectively at ULVAC and in their neighborhood.
Global Corporate Citizenship Initiatives

Based on its corporate philosophy of contributing to the growth of industry and science with innovative, cutting-edge technologies, the ULVAC Group provides distinctive technological innovations globally and implements initiatives for solving various social problems by using ULVAC's technologies and human resources.

An Ping Xing Guang Marathon in Taiwan

Starting at 5 p.m. on July 20, 2013, employees of ULVAC TAIWAN INC. participated in the Tainan An Ping Xing Guang Marathon held by the Government of Tainan City, an event designed to encourage civic participation and promote tourism in Tainan. The marathon was designed not only to achieve good health and build strong bodies but also to provide an opportunity to enjoy the beautiful evening view of An Ping, Tainan.

In line with ULVAC's Occupational Safety and Health Policy for fiscal 2013 of promoting mental healthcare to ensure good mental health, President Yu-Ches Tsai and Vice President Yun-Hsiang Wei, together with employees of ULVAC TAIWAN, participated in the marathon. The voluntary participation of employees in this sporting event provided a good opportunity to share an experience other than work and deepen their interaction, as well as to build up their physical and mental health. A group photo was taken of all the participants to commemorate the event.

The South Korea ULVAC Festival ~as a token of gratitude to a nearby neighborhood~

The South Korea ULVAC Festival kicked off on November 10, 2012, as it did in fiscal 2011. Because we had anticipated a higher ratio of children coming to the event, we offered more attractions for children, such as a dance performance, lotteries and food, which were favorably received by family visitors.

Other attractions, such as the performance of ACROBATIC CHEER LEADER, a magic show using seafood and a tap-dance performance, were also appreciated by the local residents. In addition, local agricultural products were sold at special price and the proceeds therefrom were used to promote the local welfare. Some employees of ULVAC KOREA, Ltd. displayed special amusing skills at the festival, which helped them dispel the stress from their daily lives.

A report on environmental fund-raising activities

Reliance Electric Limited initiated a drive to raise funds for the environment in August 2003. The funds are donated to the Environmental Restoration and Conservation Agency (ERCA), through which they are distributed to financially support the environmental conservation efforts of nongovernmental organizations. Since October 2012, Reliance Electric has appeared on the ERCA Web site, where it is cited as one of the companies that has actively contributed to the ERCA, praising the company’s consistent efforts to collect donations for the Japan Fund for Global Environment by placing donation boxes on each floor of the workplace and carrying out fund-raising campaigns every June. In March 2013, Reliance Electric also appeared in an introduction leaflet for the Japan Fund for Global Environment, which has a circulation of 3,000.

Giving lectures at junior high schools

ULVAC has contributed to school education by letting the teachers working in Chigasaki City experience the businesses at ULVAC, offering factory tours for elementary and junior high school students in Chigasaki and visiting them to give lectures on knowledge accumulated through its business operations.

In the lectures given at junior high schools, ULVAC employees discussed the job of a “scientific engineer.” To help familiarize the students with “vacuum,” the core element of ULVAC businesses, the lecturers showed vacuum pumps and conducted the Magdeburg hemispheres experiment and other experiments to demonstrate how an object behaves in a vacuum. These lectures were well received by the students. Through these efforts to support school education, the ULVAC Group will continue to be actively involved in educating children who will forge the world’s future.

The ULVAC Group’s regional cleanup activities

The ULVAC Group companies in Japan and abroad have been actively involved in cleanup activities in their respective regions. Growing environmental awareness has expanded the range of cleanup activities, some of which are listed below.

- ULVAC, Inc. ULVAC TECHNO, Ltd. and ULVAC-PHI, Inc. Participated in beach cleaning activities organized by Chigasaki City.
- ULVAC-TOKORU
  The ULVAC Group took the initiative in cleaning the roads within the Hachinohe Kita intersection and Industrial Estates. The companies with business facilities in Hachinohe High Tech Park participated in volunteer cleaning activities of the High Tech Park and Hachinohe Kita intersection Industrial Estates.
- ULVAC TECHNO, Ltd.
  At the 12 locations of ULVAC TECHNO, Ltd., employees participated in cleanup activities, including one led by the Furagomi trash-picking volunteer group in Susono (Susono CIP) and the Hakusan City Cleanup Campaign for the Second Half of Fiscal 2012 (Shikawa CS).
- ULVAC-RKO, Inc.
  Participated in a cleaning activity organized by Susono City.
- TIGORD CORPORATION
  Employees performed outdoor cleaning activities around the Sammu Office.
- Reliance Electric Limited
  Employees volunteered to clean the Marine Park in Kanazawa-kita, Yokohama City.
- ULVAC KOREA, Ltd.
  Performed cleaning activities around the Pyeongtaek and Hyeongok plants on a monthly basis.
- ULVAC Tianma Electric (Jingjiang) Co., Ltd.
  Participated in a cleaning activity organized by Shanghai City and cleaned areas around the Tianma plant.
### CSR Activities for Fiscal 2012 and Targets for Fiscal 2013

Based on its corporate philosophy of contributing to the growth of industry and science with innovative, cutting-edge technologies, the ULVAC Group provides distinctive technological innovations globally and implements initiatives for solving various social problems by using ULVAC’s technologies and human resources.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Communication guidelines</th>
<th>Fiscal 2012 targets</th>
<th>Fiscal 2012 achievements</th>
<th>Fiscal 2013 targets</th>
</tr>
</thead>
</table>
| Customers             | With a high priority on a trusting relationship with customers, we engage in various efforts to enhance the quality and safety of our products. | - Claim Management System  
- Globalization of the ULVAC brand  
- Globalization of the quality inspection system | Built up global systems for claim management and promotion of the ULVAC brand and quality inspection, contributing to the enhancement of product quality and safety. | - Review the Claim Management System (ULKES-QMS).  
- Promote the introduction of the global integration certification of ISO9000/14000.  
- Review systems for quality inspection. |
| Suppliers             | We strive to maintain and promote fair and appropriate transactions with our suppliers to help establish a secure relationship of mutual trust. | - Improve profitability through various cost-cutting measures.  
- Supplier certification system | Actively involved in the production processes of the business operating divisions and reduced costs.  
- The failure rate has been reduced steadily, and improvement initiatives for overseas facilities have started. | - Reduce costs of the ULVAC Group on a consolidated basis through cost reduction in front-end processes by involving in design reviews at the design stage in operating divisions.  
- Promote the simplification of acceptance inspection procedure via the supplier certification system, thereby ensuring good quality. |
| Shareholders and investors | We endeavor to ensure the timely disclosure of business activities and financial information to promote communication with shareholders and investors. | - Issuance of ULVAC REPORT  
- Financial results presentation materials and other IR communication | Issued the ULVAC REPORT, an integrated report of the Annual and CSR reports. | - Promote efforts at corporate communication.  
- Increase the number of analyst/investor relations activities. |
| Employees             | We endeavor to provide employees with diverse working opportunities and an environment in which they can work in comfort and with a sense of security. | - Revision of the personnel system  
- CSR awareness survey  
- Promoting mental and physical health  
- Operation of the occupational safety and health management system to decrease accidents by half | Conducted the CSR awareness survey at ULVAC, with the results disclosed in the ULVAC REPORT.* | - Continue the CSR awareness surveys and have opportunities for feedback from employees to promote the CSR activities.  
- According to the revised system for evaluation, provide trainings for evaluations to ensure the practical application of the system.*  
- According to the Health Management Regulations, ensure follow-up measures to health checkups to reduce health risks.*  
- Provide mental health seminars and provide personal interviews with those who require treatment to prevent the occurrence of mental illnesses.*  
- Provide mental health seminars, or a continuous basis to help create a workplace where employees can work with comfort and enthusiasm.* |
| Environment           | We will consider environmental conservation in all aspects of our business activities and will contribute to develop a better place to live and an enriched society. | Develop and sell products that contribute to reducing the environmental burden.  
- Production of "ULGLAZE" system for polycarbonate (PC) resin glazing components for automobiles.  
- The ECOR-3 portable small power generation system, which operates on hot water and cold water, won the Regional Environment Technology Award at the 29th Kanagawa Industrial Technology Development Awards.  
- Despite efforts to make efficient use of energy, the environmental burden increased by 11.3% from the previous year mainly due to a rise in CO2 emission factor.  
- Development and introduction of the project to review the systems of remuneration (salaries and bonuses) and evaluation, and completed a revision of the relevant regulations.*  
- Established the portal Web site "UL-HEALTH" for employees, and access to health information on the Web site was increased.*  
- According to the revised system for evaluation, provide trainings for evaluators to ensure the practical application of the system.*  
- Developed and introduced the Health Management Regulations and the Detailed Regulations for Ensuring Mental Health to enable the systematic promotion of mental health management.* | - Developed and sell products that contribute to reducing the environmental burden.  
- Decrease the environmental burden of our offices.  
- Decrease environmental accidents.  
- Achieved zero frequency ratio of occupational accidents.  
- The rate of product accidents remained almost unchanged from fiscal 2011 level. | - Promote active involvement in and raise awareness of environmental activities, thereby making a social contribution.  
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| Local community        | We perform social contribution activities based on the practices and cultures of the countries and regions in which we operate. | - Tanbo Project  
- Disaster prevention agreement with Chigasaki City  
- Munsan River cleanup activity  
- Local cleanup volunteering  
- Review of the Claim Management System (ULKES-QMS).  
- Promote the introduction of the global integration certification of ISO9000/14000.  
- Review systems for quality inspection. |

*These achievements or targets relate to ULVAC, Inc., alone.*
Corporate Governance

The ULVAC Group regards corporate governance as one of the most important managerial issues to fulfill its corporate responsibility toward society and shareholders. We place importance on the prompt and efficient execution of business operations, while securing the fairness, neutrality and transparency of corporate management. Therefore, we introduced the executive officer system on July 1, 2012 to separate the decision-making and business monitoring functions from the business executing function.

ULVAC’s Management Structure
For making decisions on particularly important managerial issues, ULVAC has the Board of Directors, which consists of 7 directors, including 2 external directors, and meets as required to regular monthly meetings. For monitoring managerial decisions and business execution, ULVAC has the Board of Corporate Auditors, which consists of 4 corporate auditors, including 2 external auditors.

Operational Structure
ULVAC has the Board of Standing Directors and Auditors to supplement the decisions made by the Board of Directors, further enabling the prompt and efficient execution of business operations. Meetings of the Board of Standing Directors and Auditors are held twice a month, and additional ad hoc meetings are held as required. The Board of Standing Directors and Auditors has 14 members consisting of standing directors and executive officers.

Compliance with Laws and Regulations via the Compliance Violation Reporting System
ULVAC has developed a Compliance Violation Reporting System to minimize the effects of any violations of laws and regulations. The contact point for the Compliance Violation Reporting System is the Internal Auditing Office that serves as the secretariat of the Compliance Committee, the internal compliance investigation division. To facilitate the use of the Compliance Violation Reporting System, the independence of the office’s activities is ensured, and anonymous information is accepted. Moreover, the President and general managers of each department serve as members of the Compliance Committee to ensure prudent examination while assuring the fairness of internal investigations. Each member is required to maintain strict confidentiality, and to operate the system so that reporters and investigators are not treated detrimentally. In this manner, internal investigations are carefully conducted. Numerous interviews are held with both internal and external parties, and attorneys attend any cases requiring their expertise.

Dealing with Acts of Violation
If, as the result of an investigation, the Compliance Committee finds that laws and internal regulations are being violated, action is quickly taken to put a stop to the act causing the violation. Penalties are imposed on those involved in the violation, and adequate penalties are imposed in the case of serious violations after examination by the Disciplinary Committee. In addition, the fundamental causes that brought about the violation are also studied to formulate effective measures for preventing recurrence.

Risk Management

The ULVAC Group has developed an organization that facilitates prompt and appropriate action against increasingly complex and diverse risk factors, through a process of identification, classification, analysis, and evaluation. By linking the risk management system to strategic business administration, we seek to achieve even greater corporate value.

Creating a Risk Management System
The ULVAC Group believes that expanding the risk management system is a critical business task. Thus, we have established the ULVAC Risk Management Policy to ensure that there are common rules across the ULVAC Group. The President of each group company assumes the position of Chief Risk Officer and shares risk information with related departments. Important information is promptly conveyed from the President of each group company to the President of ULVAC, Inc.

ULVAC Risk Management System
ULVAC has a wide range of risks, and has set up departments responsible for each of them. Each department functions as an information center that works with related departments to identify and evaluate all specific risks. In addition, the responsible departments constantly collect risk information, respond appropriately to risks and detect issues. For risk information deemed to be important in the evaluation process, we continually collect information to enable prompt responses to emergencies. A Risk Management Committee, chaired by the President and comprised of the departments responsible for the risks, has also been established to verify the risk management system. As the supervising organization for risk management, the Committee meets twice a year to set out basic policies and improve the management and operation.
Board of Directors and Auditors

Directors

- Hisaharu Obinata
  President and Chief Executive Officer

- Akinori Bo
  Director and Senior Executive Officer

- Hideyuki Odagi
  Director and Executive Officer

- Mitsuru Motoyoshi
  Director and Executive Officer

- Masasuke Matsudai
  Director and Executive Officer

- Takashi Minagawa
  External Director

- Syuzo Ikeda
  External Director

Executive Officers

- Shizuo Nakamura
  Managing Executive Officer

- Setsuo Iwashita
  Managing Executive Officer

- Hiroyuki Hirano
  Executive Officer

- Takao Nakamura
  Executive Officer

- Dr. Kazuya Saito
  Executive Officer

- Masasuke Matsudai
  Director and Executive Officer

- Syuzo Ikeda
  External Director

- Hironobu Machidori
  Auditor

- Nobuo Oi
  Auditor

- Senshu Asada
  External Auditor

- Kazumi Ohtsuka
  External Auditor
Financial Highlights

FOR THE YEAR DATA 2009.06 2010.06 2011.06 2012.06 2013.06
Net sales 172,212 221,705 235,932 152,221 166,778 1,690,946
Orders received 223,825 221,804 232,040 196,804 163,351 1,656,200
Operating income (loss) 3,483 4,809 1,850 (6,384) 6,115 61,999
Income (loss) before income taxes (1,600) 4,558 (9,192) (33,704) (565) (5,728)
Net income 811 2,138 (8,706) (49,984) (3,807) (38,599)
Capital expenditures 19,567 11,087 17,827 12,719 6,761 68,549
Depreciation 12,320 11,949 10,717 9,096 7,967 80,777
R&D costs 8,344 8,005 8,255 7,088 4,989 50,583

YEAR-END DATA
Total assets 318,076 313,784 313,616 249,651 243,289 2,466,684
Net assets/Shareholders’ equity 90,158 102,504 92,023 41,187 59,436 602,616
Number of employees 6,671 7,169 7,878 6,981 6,579 6,579

PER SHARE DATA
Net assets 1,961.08 1,992.06 1,787.51 751.00 806.38 8.18
Net income (loss) — — — — (87.79) (0.89)
Cash dividends — — — — — —

OTHER INFORMATION
Net income / Average total assets (ROA) 0.3 0.7 — — — —
Net income / Average shareholders’ equity (ROE) 0.9 2.3 — — — —
Shareholders’ equity ratio 26.4 31.3 28.1 14.8 22.7 22.7

Disclaimer regarding forward-looking statements
Forward-looking statements of the company in this report are based on information available at the time these documents were prepared. ULVAC’s customers in the flat-panel display (FPD), solar cells, semiconductor, and electronic parts industries face the challenge of the rapid pace of technological advances and fierce competition. Consequently, actual earnings may vary substantially from the projections included in this report due to a number of factors that could cause, directly or indirectly, performance to fluctuate. The factors that could cause results to differ materially from the statements herein include the world economy, fluctuations in the exchange rate, market conditions for flat-panel displays, semiconductors, and electric devices, and trends in capital investments.

Financial Highlights

• Net sales (Millions of yen)

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• Orders received (Millions of yen)

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• Capital expenditures/Depreciation (Millions of yen)

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• R&D costs (Millions of yen)

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**Vaccum Application Business**

The operating results of the vacuum equipment business by market segment are as follows:

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**Analysis of Business Results**

**Business results for the current fiscal year**

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**Analysis of Financial Position**

1. **Assets, liabilities and net assets at fiscal year-end**

- **Assets**
  - Total assets decreased by 6,362 million yen when compared with the end of the previous fiscal year. This decrease was attributable to decreases of 5,281 million yen in net cash, and 1,081 million yen in inventories, which were partly offset by an increase of 16,206 million yen in cash on hand and in banks.

- **Liabilities**
  - Total liabilities decreased by 24,611 million yen when compared with the end of the previous fiscal year, chiefly owing to decreases of 16,206 million yen in commercial paper, 4,288 million yen in short-term liabilities, and 2,720 million yen in borrowings.

- **Net assets**
  - Total net assets increased by 18,249 million yen when compared with the end of the previous fiscal year. This increase was primarily attributable to an increase of 15,000 million yen in capital surplus.

2. **Investment Activities**

- **Cash flows from investing activities**
  - Net cash provided by investing activities amounted to 22,357 million yen, reflecting positive factors such as depreciation and amortization, a decrease in accounts receivable, and a decrease in accounts payable. As a result, the Group reported an increase in net cash from investing activities of 215 million yen when compared with the previous fiscal year.

3. **Operating Activities**

- **Cash flows from operating activities**
  - Net cash used in operating activities amounted to 4,506 million yen, which was attributable to payments for acquisition of tangible and intangible fixed assets and the purchase of stores and subsidiaries and affiliates. As a result, consolidated cash and cash equivalents were 200,000 million yen at the end of the current fiscal year, up 102,504 million yen from the previous fiscal year. This increase was attributable to a decrease in long-term debt and the repayment of lease obligations, 13,301 million yen in inventories and 3,903 million yen in investments for loss on contract, 7,726 million yen in “Other” under current liabilities and 4,314 million yen in long-term debt.

4. **Repayment of long-term loans**

- **Influences of long-term loans paid**
  - The ULVAC Group has developed proprietary technologies for vacuum equipment used in the manufacturing processes of FPDs, PVs and semiconductors, and by marketing such devices, which has allowed us to build market shares in these fields. These products account for about 50% of our consolidated net sales and have become the mainstay of the Group. However, any large reduction in capital expenditures by manufacturers of FPDs, PVs and semiconductors, or corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

5. **Repayment of long-term loans**

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6. **Influence of Quality Assurance Efforts**

- **Quality assurance and customer demands**
  - The ULVAC Group has developed proprietary technologies for vacuum equipment used in the manufacturing processes of FPDs, PVs and semiconductors, and by marketing such devices, which has allowed us to build market shares in these fields. These products account for about 50% of our consolidated net sales and have become the mainstay of the Group. However, any large reduction in capital expenditures by manufacturers of FPDs, PVs and semiconductors, or corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

7. **Impact on Financial Performance**

- **Benefits of increased overseas sales**
  - The overseas net sales ratio of the ULVAC Group is high, with South Korea, Taiwan, China and other economies, particularly in the Asian region, occupying larger shares. To avoid currency exchange risks, transactions by ULVAC are carried out in the local currency. However, in the context of sales to the Asian region at a time of yen appreciation, the Group is placed at a disadvantage in its price competitiveness relative to overseas manufacturers in yen-denominated transactions. If ULVAC conducts an exceptional foreign-currency-denominated transaction, sudden exchange rate fluctuations might cause losses in the exchange. The aforementioned factors could negatively affect our business results and financial position.

8. **Other Risks**

- **Influence of global operations**
  - As applicable to companies that engage in global operations or in a wide range of business areas, the Group’s business results and financial position could be negatively affected by global and local economic conditions, or any event of force majeure, such as natural disasters, acts of war or terrorism, or infectious diseases.

### Stock Information

- **Total number of shares authorized**
  - Common stock: 100,000,000
  - Class A classified stock: 1,500
  - Class B classified stock: 1,500

- **Total number of shares issued**
  - Common stock: 49,355,938
  - Class A classified stock: 1,500
  - Class B classified stock: 1,500

- **Total number of shareholders**
  - Common stock: 22,755
  - Class A classified stock: 1
  - Class B classified stock: 1

### Major Shareholders

- **Taiyo Pukei, Ltd.**
  - 8,538,170

- **Japan Life Insurance Company**
  - 3,242

- **Mitsubishi Bank, Ltd.**
  - 1,916

- **Sumitomo Mitsui Banking Corporation**
  - 1,864

### Debt-to-total assets ratio (%), Interest coverage ratio (Times)

- **Debt-to-total assets ratio (%):**
  - Total: 43.9%
  - Interest coverage ratio (Times):
    - Total: 4.3

### Number of Shares Held

- **Total: 49,355,938 shares**