



ULVAC



# ULVAC REPORT 2013

CSR & Annual Report

# 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



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### 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]



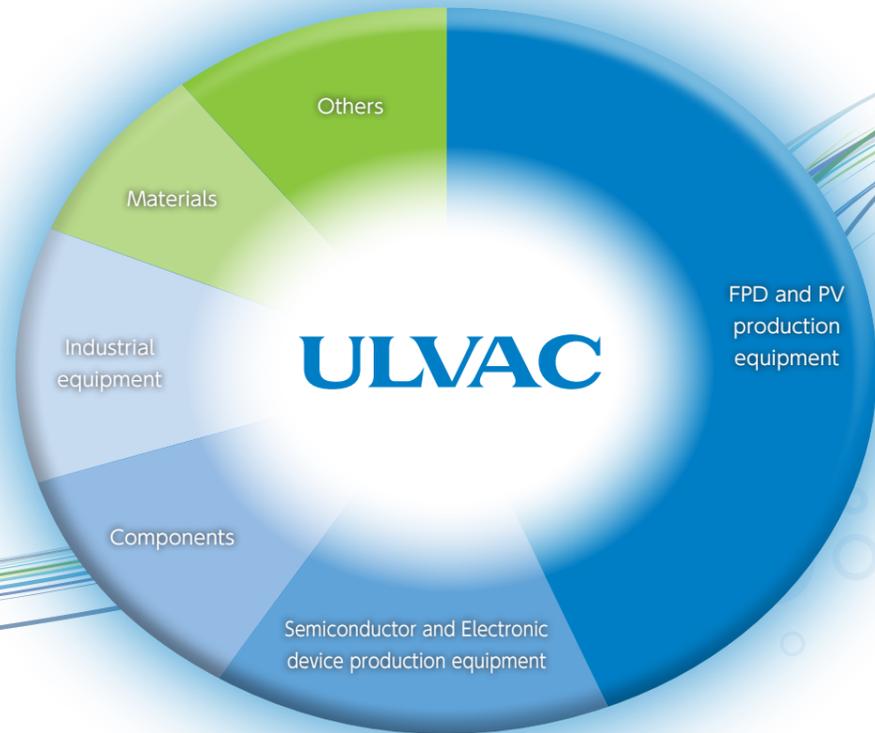
Brochure  
 PDF

The business overview for fiscal 2012 is reported in an easy-to-understand manner for distribution mainly to our shareholders.

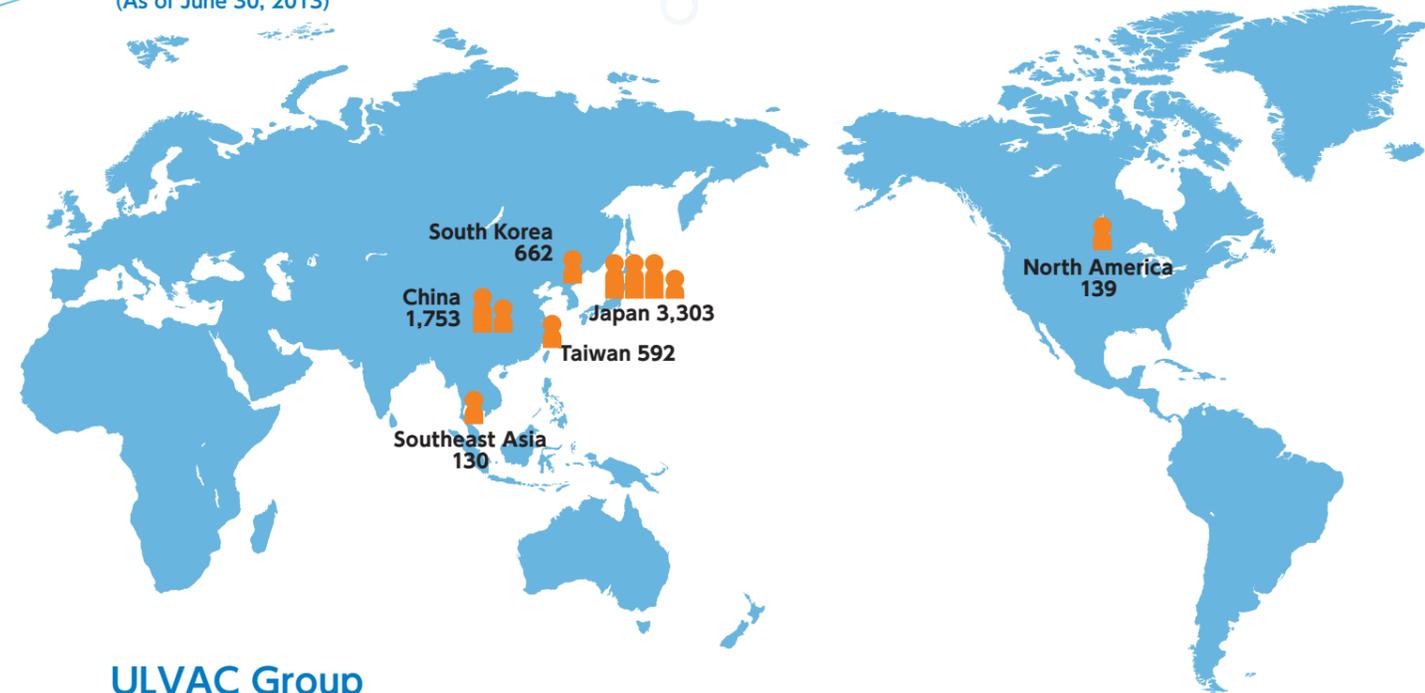
# Corporate Profile of the ULVAC Group

- 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.



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



## ULVAC Group

### ULVAC, Inc.

#### ULVAC Group Companies in Japan

- ULVAC TECHNO, Ltd.
- ULVAC KYUSHU CORPORATION
- ULVAC TOHOKU, 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.
- RAS COMPANY, LIMITED
- TIGORD CORPORATION
- NISSIN SEIGYO Co., LTD.
- Initium, 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
  - ULVAC (China) Holding Co., Ltd.
  - ULVAC (NINGBO) CO., Ltd.
  - ULVAC (SUZHOU) CO. LTD.
  - ULVAC Orient (Chengdu) Co., Ltd.
  - ULVAC Automation Technology (Shanghai) Corporation
  - ULVAC Tianma Electric (Jingjiang) Co., Ltd.
  - ULVAC Vacuum Furnace (Shenyang) Co., Ltd.
  - ULVAC CRYOGENICS (NINGBO) INCORPORATED
  - ULVAC (Shanghai) Trading Co., Ltd.
  - ULVAC NONFERROUS METALS (NINGBO) CO., LTD.
  - ULVAC Materials (Suzhou) CO., LTD
  - ULVAC Opto-electronics Thinfilm Technology (Shenzhen) Co., Ltd.
  - ULVAC Research Center Suzhou Co., Ltd.
  - Luoyang Xinyou Magnesium Co., LTD
  - Hong Kong ULVAC Co., Ltd.

- Taiwan
  - ULVAC TAIWAN INC.
  - ULTRA CLEAN PRECISION TECHNOLOGIES CORP.
  - ULVAC SOFTWARE CREATIVE TECHNOLOGY, CO. LTD.
  - ULVAC Materials Taiwan, Inc.
  - ULVAC AUTOMATION TAIWAN Inc.
  - ULVAC Research Center TAIWAN, Inc.
  - ULCOAT TAIWAN, Inc.
- South Korea
  - ULVAC KOREA, Ltd.
  - Ulvac Korea Precision, Ltd.
  - Pure Surface Technology, Ltd.
  - ULVAC CRYOGENICS KOREA INCORPORATED
  - UF TECH, Ltd.
  - ULVAC Materials Korea, Ltd.
- Southeast Asia
  - ULVAC SINGAPORE PTE LTD
  - ULVAC MALAYSIA SDN. BHD.
  - ULVAC (THAILAND) LTD.

Vacuum Equipment Business & Vacuum Application Business

## Business Segments of the ULVAC Group

- ▶ Vacuum equipment business
- ▶ Vacuum application business



### Industrial equipment

- Vacuum heat-treating furnaces
- Vacuum melting furnaces
- Vacuum brazing 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



### Components

- Vacuum pumps
- Vacuum gauges
- Helium leak detectors
- Mass analyzers
- Thin Film Measurement
- Spectroscopic ellipsometers
- EB, RF and DC power generators



### Semiconductor and Electronic device production equipment

- Semiconductor (memory, logic, power or other semiconductors) production equipment
- LED production equipment
- Electronic device production equipment



### Materials

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



### Others

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

## 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?



**Hisaharu Obinata**  
President and Chief Executive Officer

*H. Obinata*

#### 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 undertone of 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 ¥166.8 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 turnarounds were achieved through companywide 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, that is, 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 was 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.

Given such 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

##### 3. Basic policies in the medium-term management plan

Establishing the system of securing certain and stable profits  
 → Having enough strength left for further growth

- (1) Lowering of the break-even point
  - Establish a structure of securing certain and stable profits even when reception of orders declines.
- (2) Review of non-profitable businesses
  - Pursue thorough management of profitability by product
- (3) Reestablishment of value-creation-type business models
  - Reinforce a earning structure and profitable financial position by improving customer satisfaction through a mechanism to increase added value with vacuum technologies as the core.

## 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.

Meanwhile, we will review non-profitable businesses in parallel with the aforementioned improvement of added value. We intend to improve and maintain profitability by carefully examining the "visualization of profits" by product and individual customer.

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 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.

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.



## Continuously 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

### 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.

### Outline of the measures (as structural business reform plan)

Measures to be implemented to promote the medium-term management plan:

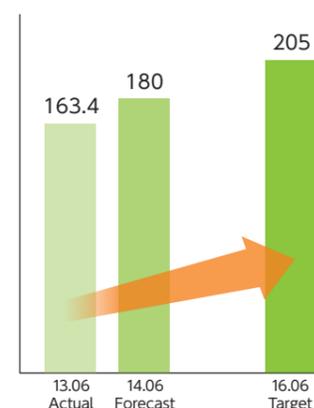
- 1) Development strategy
- 2) Marketing strategy
- 3) Strengthening of cost competitiveness
- 4) Expense reduction
- 5) Plan for profitability
- 6) Personnel system reform
- 7) Slimming down
- 8) Business reform
- 9) Risk management
- 10) Group business management

### Target values (On a consolidated basis) (unit: ¥billion)

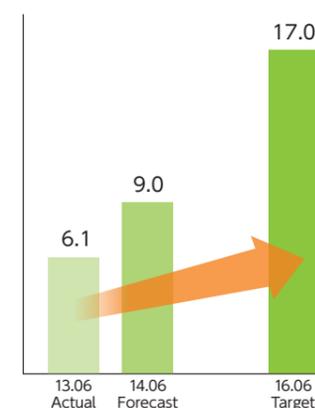
#### Orders received



#### Net sales



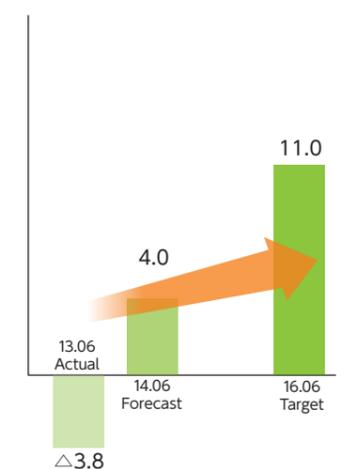
#### Operating income



#### Ordinary profit



#### Net income



# » 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



## Businesses of the ULVAC Group

Vacuum equipment business	FPD and PV production equipment	
	Industrial equipment	
	Semiconductor and electronic device production equipment	
	Components	
Vacuum application business	Materials	
	Others	

## 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

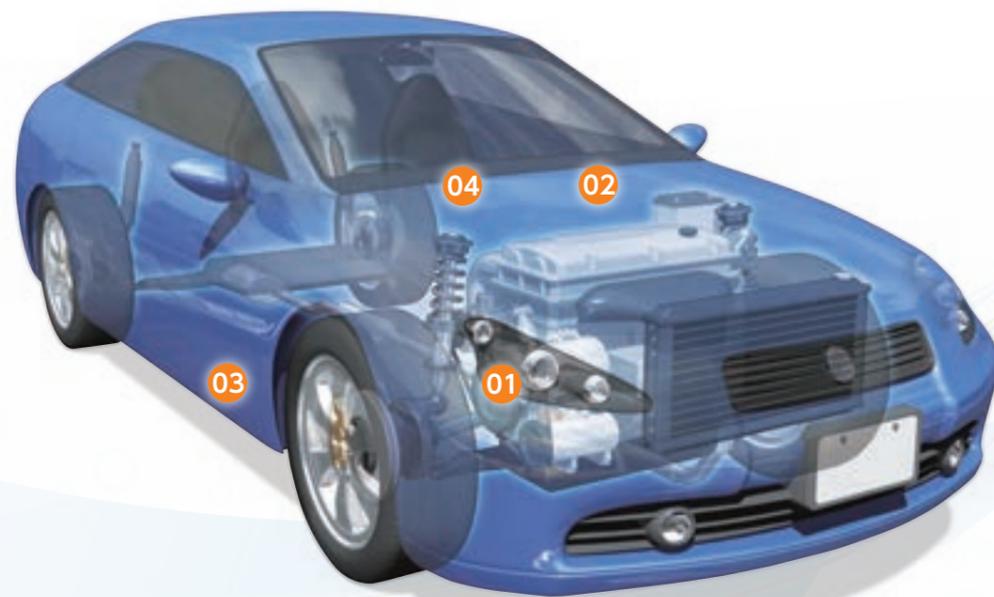
- Development of environment-friendly products
- Environmental communication activities

### Organization

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

# Here & There, Near your side ULVAC's Vacuum Technology!

Our life is unknowingly surrounded by a "Vacuum" environment. ULVAC provides the State-of-the-art technology to help create such "Vacuum" world we live in. The advancement of automobile and vacuum is very close related. We have greatly contributed to the automobile industry playing our role to realize innovative vacuum technology. Here are some examples;



## Electronics and Vacuum

Technology 01

### LEDs ▶ NA Series ashing systems and SIV Series sputtering systems



A light-emitting diode (LED) is a semiconductor device that emits visible light when voltage is applied in the forward direction. ULVAC offers a full lineup of equipments such as ashing and sputtering systems to manufacture high-intensity emission LEDs.

Technology 02

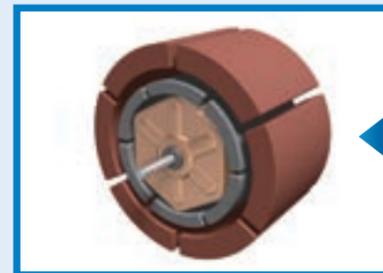
### Film Capacitors ▶ EWE Series evaporation roll coaters



A capacitor is an electronic device that stores or discharges electricity to stabilize voltage and remove noise. One type of a capacitor is a "film capacitor" using very thin plastic film for automobile application. To deposit very thin layer of aluminum and zinc onto the thin plastic film (in vacuum) at tremendous high speed require state-of-the-art technology.

Technology 03

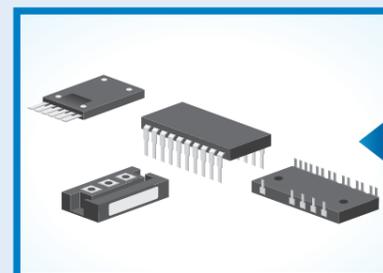
### Neodymium Magnets ▶ FMI Series vacuum melting furnaces



A neodymium magnet is one of the strongest permanent magnet available. Neodymium magnets are often used as key components for various kinds of automotive motors and electronics products. Strong demand within environmental fields such as hybrid cars and wind generation. The FMI Series models are used to form alloys, for which the composition ratio of neodymium, iron and/or boron being magnetic materials are key parameters to produce quality Neodymium magnets.

Technology 04

### Power semiconductors ▶ SOPHI-200 ion implanter



Power semiconductors are used as switches or rectifiers in power electronic circuits, for example, to switch from/to alternate to/from direct current or raise/lower voltage. Power semiconductors feature high current capacity and withstand voltage, less heat generation and good heat dissipation. They are also key devices for energy saving by controlling electricity consumption. The SOPHI-200 model is used for electrode formation on wafers, which are the substrates for power semiconductor devices.

### ULVAC's Heat Treatment Simulator at Work in Automotive Lightweighting Contribute Total Solutions to Meet R&D Needs

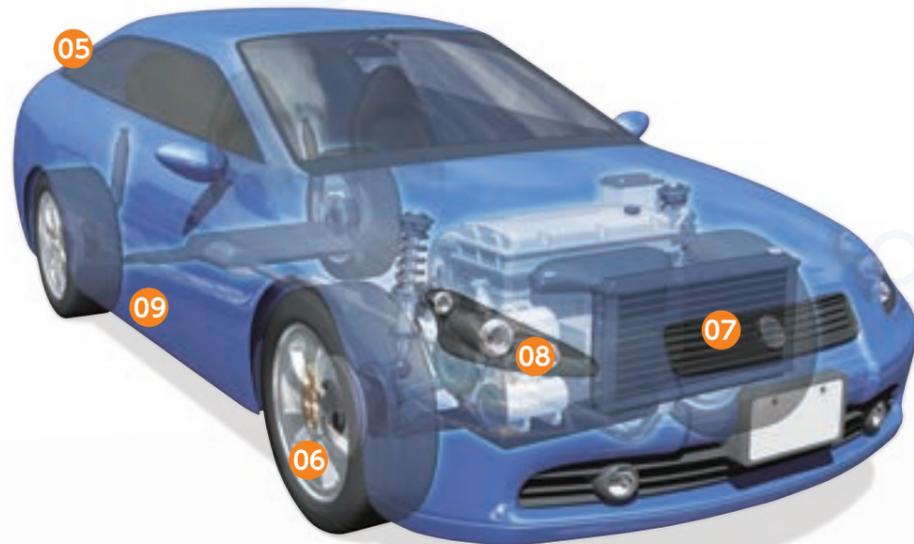
ULVAC-RIKO, Inc.



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.

CAS Series  
Continuous Annealing System

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



**Vacuum & Future Development for Automobiles!**

Technology 05

## Resin Glazing

► "ULGLAZE Systems" new plasma CVD systems for the mass production of automotive polycarbonate (PC) glazing



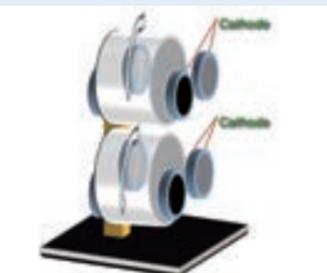
Compared with the conventional window glass on vehicles, PC glazing is an eco-friendly technology that reduces the overall vehicle weight and improves fuel consumption. The ULGLAZE System models are used in the processes for the deposition of scratch- and abrasion-resistant coatings onto PC.

Joint partner: SABIC Innovative Plastics

Technology 06

## Wheels

► In-line type sputtering systems for deposition for wheels



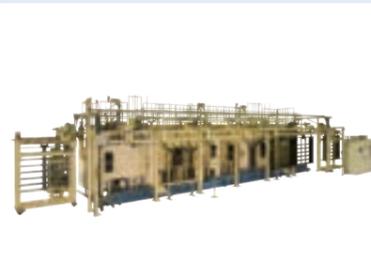
ULVAC's systems deposit chrome or nickel chrome on wheels using ULVAC's sputtering technique. Eye-filling appearance with excellent quality due to high adhesiveness. In addition, compared with ordinary plating technology, sputtering technique is environment-friendly due to no waste water disposal.

Photo provision source: Goodrich Corporation

Technology 07

## Heat Exchangers

► FBC Series vacuum brazing furnaces

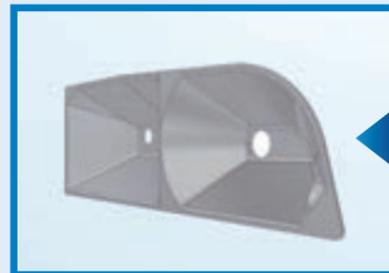


A heat exchanger is a device with which heat can be efficiently moved from a high-temperature object to a low-temperature object. For its automotive applications, light weight and high reliability are extremely important. The FBC Series models are used to braze parts for heat exchangers used in automobile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

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.

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.

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



Signing ceremony

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.



# Report on the ULVAC Group's Activities



## Management Message

### Upon the assumption as QMR, EMR and General Safety and Health Manager

**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 intellectual properties (IPs) owned by the Group. Lastly, I consider the further reduction of manufacturing and additional costs by proactively promoting the front loading technique on design to be important to ensure profits, which is advocated in the medium-term management plan. In such a 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.



Hiroyuki Hirano  
Executive Officer

**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 and 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 Certification\* 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 the overall supply chain.

## ULVAC Group's Global Intellectual Properties Global/Asian Strategy for ULVAC's Intellectual Properties

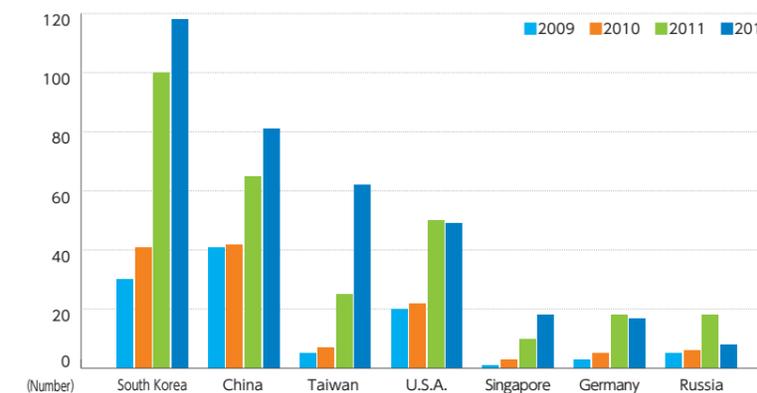
In fiscal 2012, the Group applied for 317 domestic patents and 271 overseas patents. Granted patents totaled 572 in Japan and 400 overseas. We have seen a marked trend in recent years with ULVAC's patent applications overseas being increasingly granted.

Meanwhile, various issues over intellectual property rights have been globalized 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

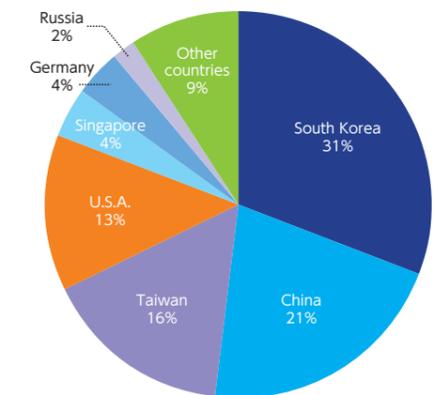
patent application prosecutions overseas to guarantee the use of ULVAC products by customers while appropriately meeting customers' technical needs.

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 mainstay 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.

Trends in the number of patents in major countries



Percentage of patents overseas by country in fiscal 2012 (from July 1, 2012 to June 30, 2013)



# ▶ 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.

**Quality Policy**  
We are committed to improving the Quality of our work to provide products and services that satisfy our customers.

- Action Policies**
- 1) We comply with all rules and procedures.
  - 2) We do not deliver any nonconforming products to the next process.
  - 3) We observe delivery times leading to the next process.
  - 4) We commit to the production budget.

### ▶ 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.

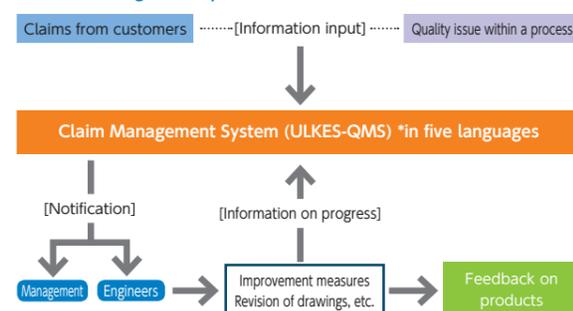
The essence of the front loading is to realize total optimization of the heterogeneous elements in the whole life cycle of manufacturing such as R&D, design, production and maintenance through the combination of these elements. We are committed to reviewing our process of realizing total optimization to this end.

### ▶ 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 Chigasaki Head Office/Plant or our manufacturing assignees and also notes the date. Any customer complaints after product delivery are also processed by the 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.

#### Claim Management System (ULKES-QMS)



#### Quality control system for customer satisfaction and confidence

Risk analysis and feedback are two fundamental concepts of ULVAC's quality management system. Following the flow that begins at the development and design stage, we identify risks, identify countermeasures to them on a "risk analysis sheet," and work to prevent quality issues. In the event of an issue occurring after the production processes and shipping, we write up a feedback list based on data collected from our

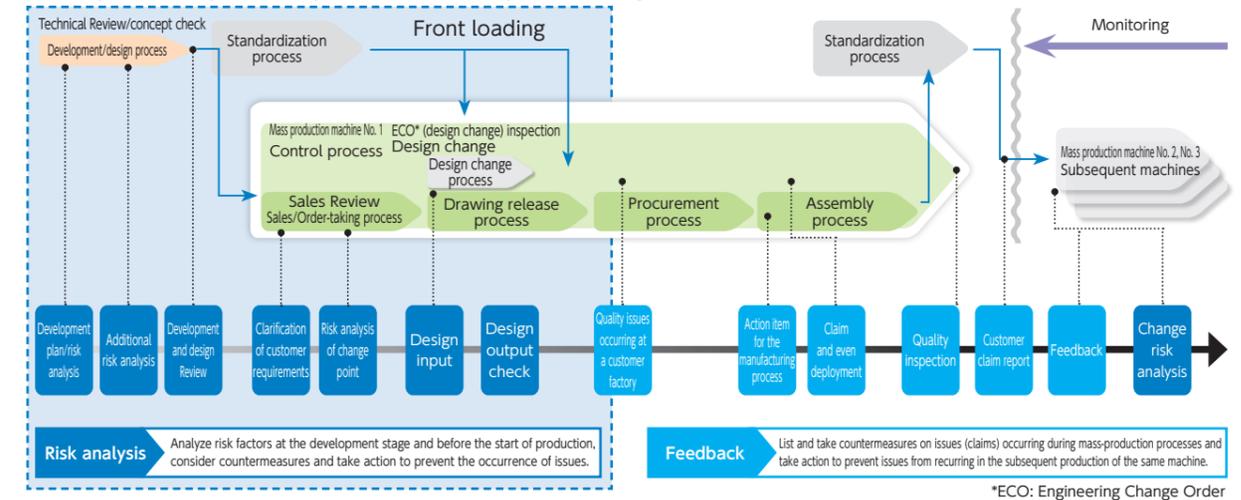
Claim Management System and feed back that information at each stage. We also run a stringent quality check on such issues during the quality inspection prior to shipping. In this manner, we aim to be timely providers of products that reflect the most up-to-date technology so that we can promptly support our customers' production activities.

#### Reduction of additional costs (failure-related costs)

We target a reduction of approximately 10% of additional costs (failure-related costs) for fiscal 2013 compared with fiscal 2012 by promoting front loading, which encompasses

risk analysis from the development and design stage, feedback from claim information and strengthening upstream design capability.

#### Quality Assurance System Concept in Relation to Development and Design Flow



### ▶ 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 Department Redefined to Operate Independently at Several Global Bases

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

Quality inspections at ULVAC, Inc., ULVAC TOHOKU, 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 (China) Holding Co., Ltd.



ULVAC KOREA, 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 preceding cost-reduction 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.

#### ■ Our global procurement organization/system

[Japan]	[Area]	[Major overseas Group companies]
Procurement Center	South Korean area	ULVAC KOREA, Ltd.
Overseas operations	Taiwanese area	ULVAC TAIWAN, Inc.
[Operating divisions] Semiconductor Equipment; FPD·PV Equipment; Advanced Electronics Equipment; Industrial Equipment; Standardized Product; and Materials Divisions	Chinese area	ULVAC (China) Holding Co., Ltd. *China Procurement Center
	Southeast Asian area	ULVAC SINGAPORE PTE LTD
[Cooperative working group] ULVAC TOHOKU, Inc. ULVAC KYUSHU Corp.	North American area	ULVAC Technologies, Inc.
Core Group companies	European area	ULVAC GmbH

Core Group companies: RELIANCE ELECTRIC, Ltd., ULVAC COATING CORPORATION, ULVAC-RIKO, Inc., ULVAC KIKO, Inc., ULVAC-PHI, Inc., ULVAC CRYOGENICS, Inc., SHOWA SHINKU CO., LTD., ULVAC TECHNO, Ltd., and ULVAC EQUIPMENT SALES, Inc.

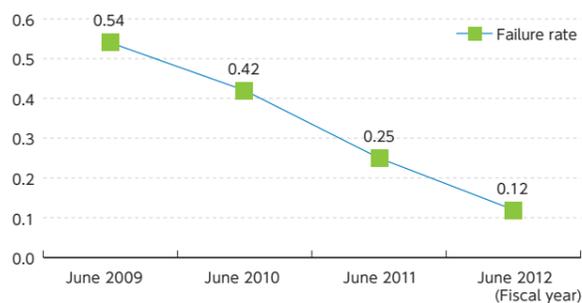
## ULVAC Quality Created with Certified Quality Suppliers

### 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 than before and improving the throughput to the post-process significantly.

#### ■ Failure rate by fiscal year (%)



## 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 a more confident partnership with suppliers and fulfilling our social responsibility as a part of supply chain, we hereby request that the newly listed nine items below be complied 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 CO<sub>2</sub> emissions.

Specifically, we switched the means for transporting cargo from the Chigasaki Head Office/Plant to the Group companies in South Korea to Japan Railways-based railway transportation up 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 CO<sub>2</sub> emission-reducing effect of 97% against the use of air transportation. We will continue to promote modal shifts similar to this case.



Japan Railways' containers arriving at Moji Port



Cargo loaded in the container

# ▶▶ ULVAC Group's Global Business Development Deeply Entrenched 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 strengths, opinions 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 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

UK, which was established in 1995, became the first company in South Korea to domestically produce sputtering systems for LCDs in 2001. Since then, UK has solidified its infrastructure with measures such as nurturing technical engineers; 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 thus provides both South Korean and overseas customers with total solutions. Its communication-oriented customer relations system to closely address customers' requests ensures that the company offers high-quality and affordable equipment. In addition, in compliance with the Continuous Improvement Program (CIP) 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 retrofitting 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.



## 3 ▶ ULVAC Opto-electronics Thinfilm Technology (Shenzhen) Co., Ltd. (UOT): Zhuang, Vice 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 exploded in recent years. We at UOT daily address the delivery of in-line sputtering systems at low prices by matching ULVAC's cutting-edge technologies with the vigorous demand in China in this domain. I am deeply moved by the importance of my role in this endeavor as the responsible person in charge of the engineering and manufacturing division of UOT.



## 2 ▶ ULVAC TAIWAN, Inc. (UTI), Tainan Plant: Qing 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 by customers.

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 group-wide.



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

Since its foundation as a joint venture between ULVAC and CDOI, 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 leak testers of ULVAC quality to inspect automobile wheels, water heaters and bulbs by fully demonstrating our technical expertise in the airtightness field. Such initiatives have more than offset the decline in sales from the refrigeration industry, which has been stuck in recession. Next, 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 2012 grew to 10 times higher than those in 2003.



## 5 ▶ ULVAC (NINGBO) CO., LTD. (UNB): Chang Jie Chen, Vice President

ULVAC (NINGBO) is a Japan-China joint venture established in September 1995. Its major products include oil rotary pumps; roots-type dry vacuum pumps; dry pumps; piston pumps; vacuum gauges; vacuum & ventilation systems; oil mist traps; oil/water separators; and oil purifiers.

We enable production of the aforementioned products at a cost lower than that in Japan based on our abundant experience in machining and assembly. Our after-sales services are speedy, and UNB has the potential for further business development in light of its vast customer base. It is UNB's objective and a source of pride for me to contribute to ULVAC by providing customers with competitive products and services through the improvement of independent development capabilities.



## 6 ▶ ULVAC Vacuum Furnace (Shenyang) Co., Ltd. (USY): Shi Hua Wang, President

USY was established in 2005 as a joint venture between ULVAC and china CNVAC. It has sophisticated processing, assembling and inspection systems. Its specialized products are vacuum furnaces including vacuum melting furnaces, vacuum sintering furnaces, vacuum brazing furnaces and vacuum heat treatment furnaces. We at USY are pleased to provide valuable products that support the foundations of many industries not only in China but also worldwide by utilizing ULVAC's control and quality systems. We will continue to make efforts to offer leading-edge vacuum furnaces and excellent auxiliary services.



## 7 ▶ ULVAC (SUZHOU) CO., LTD. (USZ): Zhi Cheng Gu, Vice President

In the equipment markets for semiconductors, displays, flat panels and electronic devices, all of which currently show significant progress, competition with Chinese domestic manufacturers has become increasingly fierce in addition to foreign competitors. In such harsh business conditions, high quality, low cost and complete after-sales services are vital requisites to ensure customer satisfaction. We want to acquire higher market shares by aggressively developing forward-looking, innovative products while maintaining ULVAC's advantages such as advanced engineering and control capabilities, the depth of USZ's market penetration and low production costs in China, as well as our extended after-sales service bases nationwide.

USZ also intends to provide customers with ULVAC's quality products and excellent after-sales services through the combination of various features of the ULVAC Group companies in China, including design, manufacturing, production of large equipment and precision machine processing.

USZ also intends to provide customers with ULVAC's quality products and excellent after-sales services through the combination of various features of the ULVAC Group companies in China, including design, manufacturing, production of large equipment and precision machine processing.



### ■ Outline of the production plant in Suzhou (China) of manufacturing equipment for large FPDs and PVs

Address: No. 277 Suhong East Road, Suzhou Industrial Park, Suzhou, Jiangsu 215026, China

On the premises of ULVAC (SUZHOU) CO., LTD., ULVAC constructed a plant for the production of vacuum manufacturing systems. The plant started operation in 2011 to meet customer needs in response to the globalization of the regions in Asia.

## VOICE

### Cornerstone of ULVAC's Globalization: Global Production Planning Department

#### Members of the 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 products at the relevant business divisions.





\* Tanbo Project in its fourth year near Namegaya, Chigasaki, Kanagawa, Japan

# 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.

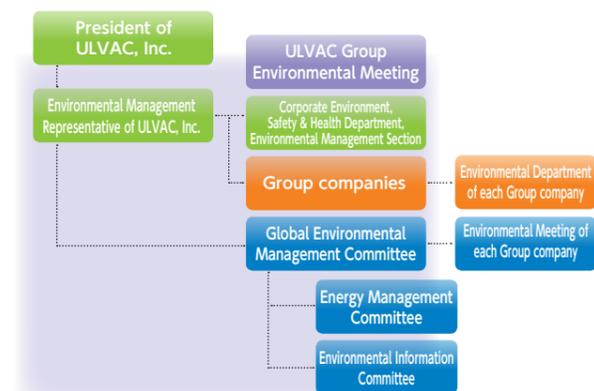
The ULVAC Group will continuously promote environmental protection through its products and reduce the environmental impact.

### 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.

#### ■ Environmental Management Structure of the ULVAC Group



#### ● ULVAC Group Environmental Philosophy

ULVAC Group takes on one of major issues for everyone around the world, which is to conserve and protect the global 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.

#### ● ULVAC Group Environmental Policy

Develop products with a goal to save energy, reduce the use of natural resources and contribute to the conservation of our environment.

1. ULVAC Group products/Final products
2. ULVAC Group manufacturing process

## ▶▶ 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.



PHI X-tool

### 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.

#### Voice



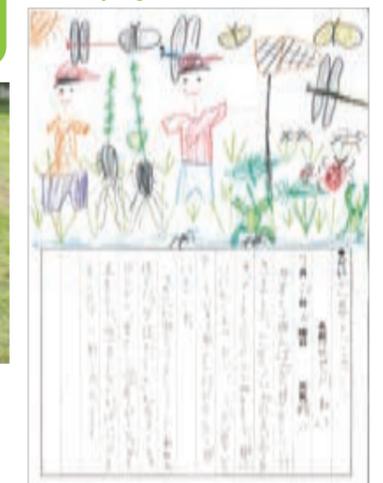
I've been participating in Tanbo Project for years. The rice field area is increasing each year and so is the number of participants, including children, students, NPOs and volunteers. This year, I felt something special about this place and a synergy that can be found only on this project. We can conduct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

#### Photo Diary



Picture diary by Rei Hasegawa, a boy who participated in the Tanbo project



● For more details on the ULVAC Group's environmental initiatives, visit the URL: ▶ <http://www.ulvac.co.jp/csr/>

TOPICS

ULVAC TOHOKU, Inc.

Awarded as a good plant for greening efforts

ULVAC TOHOKU, Inc. received the Japan Greenery Research and Development Center Chairman's Award on November 11, 2012, in recognition of being a good plant for its greening efforts. Given that the Japan Greenery Research and Development Center is a corporation related to the Ministry of Economy, Trade and Industry, this award is from an authoritative organization.

ULVAC TOHOKU, Inc. has its head office and plant in Hachinohe, Aomori. Of the entire 12ha plant site, more than 4 ha is greenery, which mainly consists of a natural forest of 80-year-old Japanese red pine, flowerbeds at each plant, cherry tree lined avenues on the company premises and approximately 100m long flowerbeds aligned on both sides of the south gate. At this company, annual maintenance is done for such greenery and the area along the borders is mowed and weeds are cut regularly to keep the landscape of the plant site attractive. Although the maintenance of such a large greenery area takes a lot of work, the dynamic geographic features and seasonally different scenic landscapes are spectacular and leave viewers with a good impression. With this benefit as encouragement and given the recognition for its greening efforts, ULVAC TOHOKU, Inc. continues efforts to make further improvements.



Greenery at ULVAC TOHOKU, Inc. (scenic landscape at the South Gate)

ULVAC TAIWAN 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 CO<sub>2</sub> 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 CO<sub>2</sub> by 4.8 tons annually. ULVAC TAIWAN INC. will continue to participate in this activity, thereby contributing to the reduction of greenhouse gas emissions and fulfilling its corporate social responsibility.



Environmental Performance of the ULVAC Group

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.

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 energy-saving activities by each Group company**
- Insulation measures for hot water pipes and thorough management of set temperatures, as well as review of air-conditioning and heat source management by thinning operations. [Use of heavy oil: 32% reduction] (ULVAC TOHOKU, Inc.)
  - Renewed light bulbs to highly efficient LED light bulbs, thereby reducing energy for lighting by 66%. (ULVAC CLEAN PRECISION TECHNOLOGIES CORP.)
  - Reduced energy consumption by managing utility operations. (each company of the ULVAC Group)

However, CO<sub>2</sub> emissions increased in fiscal 2012. It is believed that this increase was due to a rise in the TEPCO CO<sub>2</sub> emission coefficients that ULVAC uses as a standard for calculation.

On the other hand, total waste volume decreased approximately 45% compared with the previous fiscal year. In the previous fiscal year, we disposed of many assets as part of our structural reforms at the year-end, thereby increasing waste volume. Because no extraordinary events occurred during fiscal 2012, total waste volume decreased and the recycling rate increased, showing improvement in both aspects. Currently, the ULVAC Group is conducting activities to address waste emissions, aiming to promote recycling and turn waste into resources with some value. We intend to continue these activities in fiscal 2013.

- Introduction of waste reduction activities by each Group company**
- Compressed the total volume of waste emissions by reviewing the waste segregation method and increasing useful and sellable recycled product items. (ULVAC, Inc.)
  - Reviewed the standards for waste storage at all areas such as clerical offices, worksites and plant exteriors. Continued to provide related education to all employees and conducted environmental patrol to monitor the status of waste management. (ULVAC KOREA, Ltd.)
  - Collected and recycled materials that were used for bonding. (ULVAC MALAYSIA SDN.BHD.)

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)

INPUT	
<b>Electricity use</b> 156,750 thousand kWh	<b>Fuel use volume</b>
<b>Gas usage</b>	Heavy oil 612 kL
LPG 180 t	Kerosene 33 kL
LNG 687 t	Diesel oil 99 kL
City gas 1,625 thousand m <sup>3</sup>	<b>Water use volume</b> 1,350 thousand m <sup>3</sup>
	<b>Packaging materials</b> 2,103 t

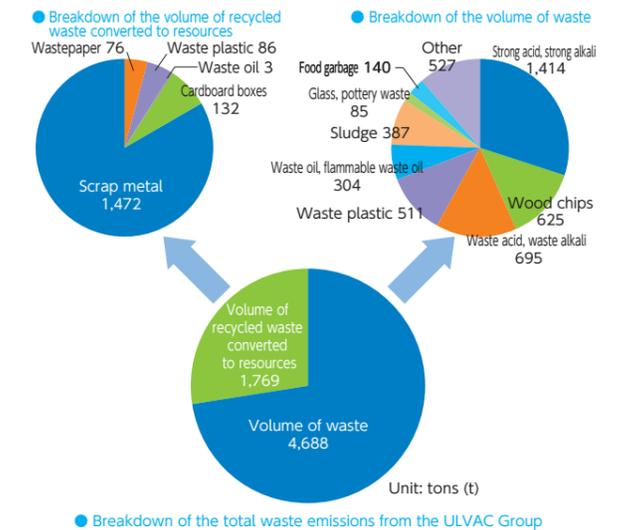
Transition of CO<sub>2</sub> emissions



Transition of water use volume



Transition of the volume of waste



OUTPUT	
<b>CO<sub>2</sub> emissions</b>	82,974 t-CO <sub>2</sub> Emitted by use of electricity, gas and fuel
Total volume of waste emissions	6,457 t
Volume of recycled waste converted to resources	1,769 t
Recycling ratio	96.3%
CO <sub>2</sub> emissions from transportation	1,488 t

\*The source of the above data is the 41 major companies of the ULVAC Group (four companies are added from the previous fiscal year). \*The volume of packaging materials is based on the data from 25 companies of the ULVAC Group (two companies are added from the previous fiscal year). \*CO<sub>2</sub> emissions from transportation are based on the data from 3 companies of the ULVAC Group.



# Organization

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.

## ▶▶ Invigorate the Individuals and Organization of ULVAC via 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 that employees can share a profit-seeking mind-set and be on the same vector.

### ULVAC Reformed Its Personnel System

#### ~Invigorate the Individuals and Organization of ULVAC by Changing the Mind-Set~

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, fairer system reflects each employee's roles, business performance, process 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 invigorate individual employees and the organization by changing the mind-set.

In 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 can freely generate ideas and are not afraid of failure, because such a culture is important for a development-oriented company like ULVAC.

Along with the personnel system reforms, we are striving to increase training opportunities. In fiscal 2012, we revised our Basic

Policy for Human Resource Development, thereby clarifying the ideal human resources needed for today's ULVAC. We are improving the educational structure to provide training covering all tiers from new employees to executives, through which the issues and problems facing ULVAC are clarified and each employee can understand and implement his/her role as requested by the Company.

We have also recognized the development of next-generation human resources and a personnel rotation system as essential issues for invigorating the organization. While paying attention to the balance between specialists and generalists, we are proactively promoting interaction among employees and the flexible management of the organization.



**Tomoyasu Suzuki**  
General Manager  
Personnel Department

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

1. Human resources who respect other individuals, trust each other and fulfill their responsibilities
2. Human resources who can see the true nature of each issue and create revolutionary technologies and projects with passion and tenacity
3. Human resources who are full of aspirations to improve themselves and take voluntary actions to achieve goals
4. Human resources who have a global perspective and aim to take leadership in exploring the world

### 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 that are held twice a year.

Education for engineers is, in principle, provided once a month and each lecture session is for one hour. Seven sessions were held from January to July 2013. One session had 250 attendees including those from Group companies.

Although such education for engineers is basic for our engineering-related employees, in collaboration with our Quality Assurance Section of the Technology Planning Office, we intend to expand this educational session so that employees across the ULVAC Group can accumulate and share technologies. By establishing such an educational structure, we will find and nurture our next-generation successors.



Technology Advisor Mr. Nakamura, giving a lecture to engineers

### Mental Health Education

#### ~Self-Care~

Although our mental health education used to be separately conducted 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 worksite meetings" and "I will be able to use this both for work and for my private life."



Mental health education

### 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 limit to overdrive. The device itself includes a sensor and a motor. It was assembled and tested by me. Now it's helping a fine positioning device to focus a camera.

**Stefan** : First I had to learn how to handle the machines for sputtering, measuring thickness of thinfilms and measuring the transparency and resistivity of thinfilms. Now that I'm able to handle the machines I produce thinfilms of ZnO in different environments and measure its properties afterwards. It's an interesting and challenging task, especially to get an understanding of 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 it's 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 intercultural environments and may think outside of the box when problems might occur.

**Stefan** : In my master thesis I already gained some skills in the characterization and measurement of CIGS - thinfilms. The skills I acquire here will expand my knowledge about measurement techniques and I also get an inside into the industrial production in a leading company. I also learn the language (it's not easy, but I try to practice every day so after the internship I hopefully 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 coworkers are bringing sweets 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 meetings. 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 a soft-skill workshop in how to do well-thought-out presentations and better way of performing a power point presentation.

**Stefan** : I appreciate the harmonic 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.



Right: Alexander Drop (worked at Research & Development Department)  
Left: Stefan Hass (worked at the Institute for Super Materials)

## Responding to the Results of the Employee CSR Awareness Survey

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 525 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, technology, environment and organization.

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).

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.

We intend to continue this survey, listen to many employees' opinions and promote ULVAC CSR activities by creating a rewarding workplace where employees can work with enthusiasm.

Fig. 1 Business Division UPIX by occupational type

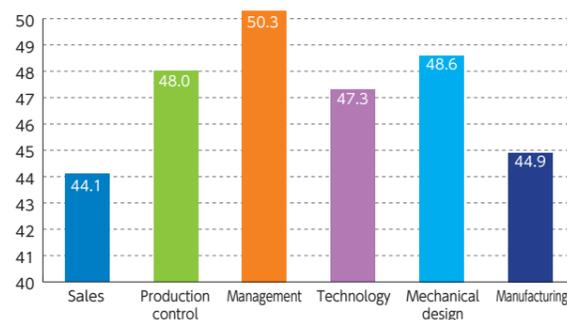
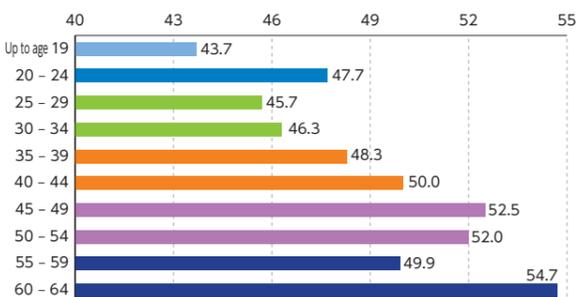


Fig. 2 UPIX by age



## ULVAC's Vacuum Technologies Are Supported by Consistent Efforts to Ensure Good Health

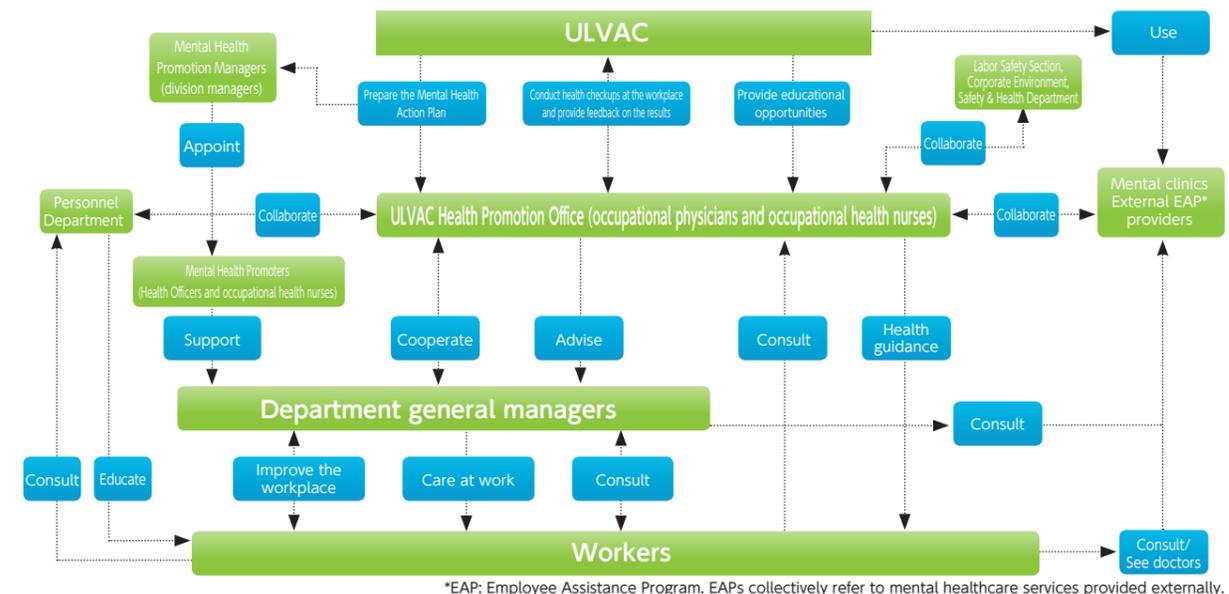
The ULVAC Group places a high priority on the mental and physical health of its employees and engages in the management thereof so that they can work energetically. At ULVAC, one full-time occupational physician and two full-time occupational health nurses work in the Health Promotion Office at the ULVAC Head Office/Plant in Chigasaki to ensure good health for ULVAC's employees.

### Promoting mental health

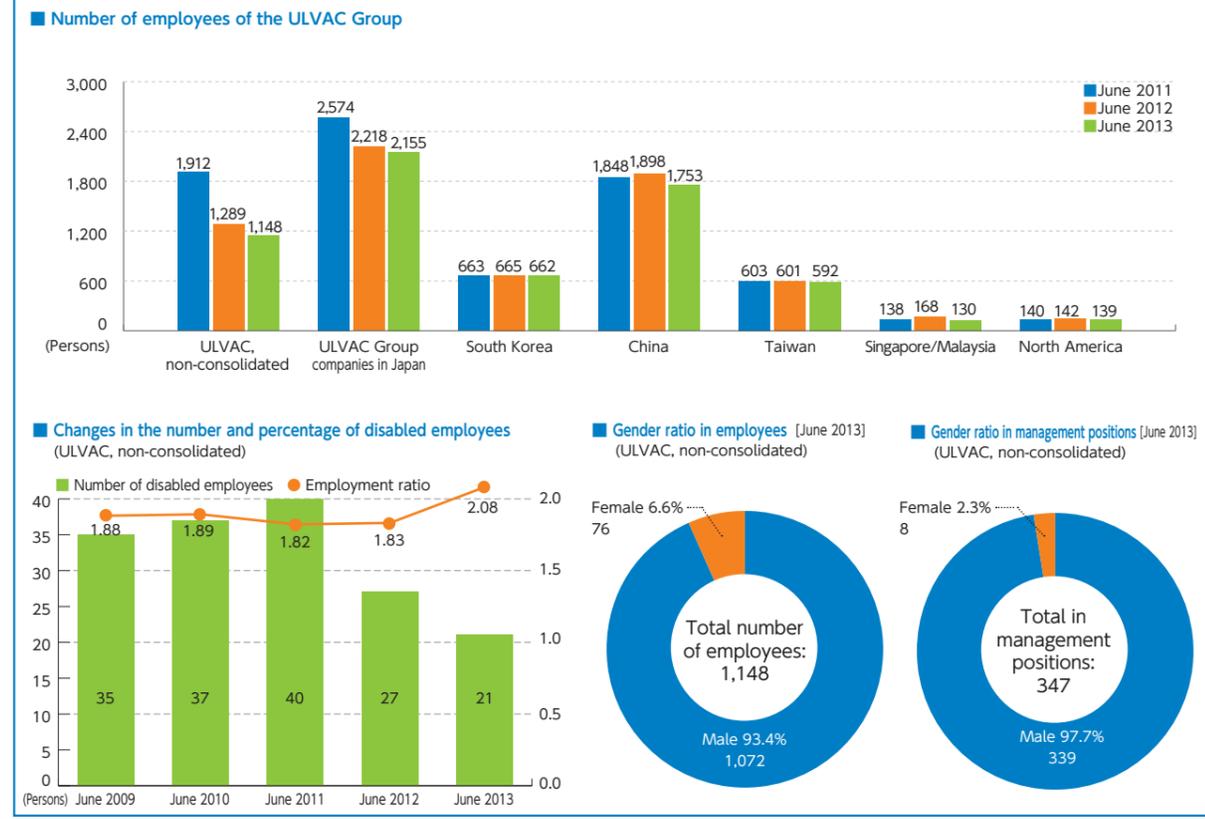
To promote its measures for ensuring mental health, ULVAC formulated the "Detailed Regulations for Ensuring Mental Health" in December 2012 in line with the policies of the Ministry of Health, Labour and Welfare. According to these

internal regulations, we have enhanced the organization of our support activities for mental healthcare and are promoting educational efforts, mental health checkups and the awareness of our internal desk for health consultation.

Organization of mental healthcare support systems according to the "Detailed Regulations for Ensuring Mental Health"



## Personnel Data of the ULVAC Group



### Mental health checkups

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.

### Internal desk for health consultation

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 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 ratio of those 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 supervisory employees. 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.

### Promoting Physical Health

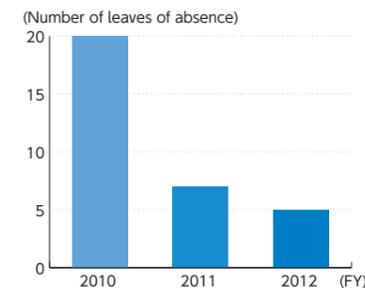
#### Establishment of the Health Management Regulations

In March 2013, we established the Health Management Regulations, according to which we systematically follow up based on the results of health checkups. Specifically, we provide medical guidance for employees who need detailed examinations and/or medical treatment and healthcare guidance to prevent future lifestyle-related diseases as well as maintain and promote physical health.

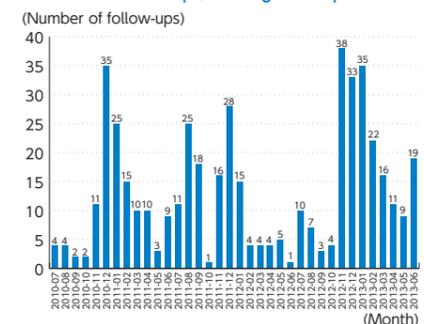
#### Optional checkups

To help increase the health consciousness of employees, we provide opportunities for internal checkups for items other than the statutory checkup items. For example, we conducted sleep apnea syndrome (SAS) screening tests in fiscal 2011 and viral hepatitis screening tests in fiscal 2012, which were taken by 78 and 283 employees, respectively. These provided an opportunity to promote awareness of diseases that are not easily recognized in the course of our daily lives.

Number of new leaves of absence for one month or more due to mental illness



Number of follow-ups, including follow-up interviews



# 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 To ensure the safety and health of our customers and employees

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 product accidents at our customer sites has decreased gradually, reaching 62% of the fiscal 2008 level in fiscal 2012. Meanwhile, ULVAC achieved a zero the 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

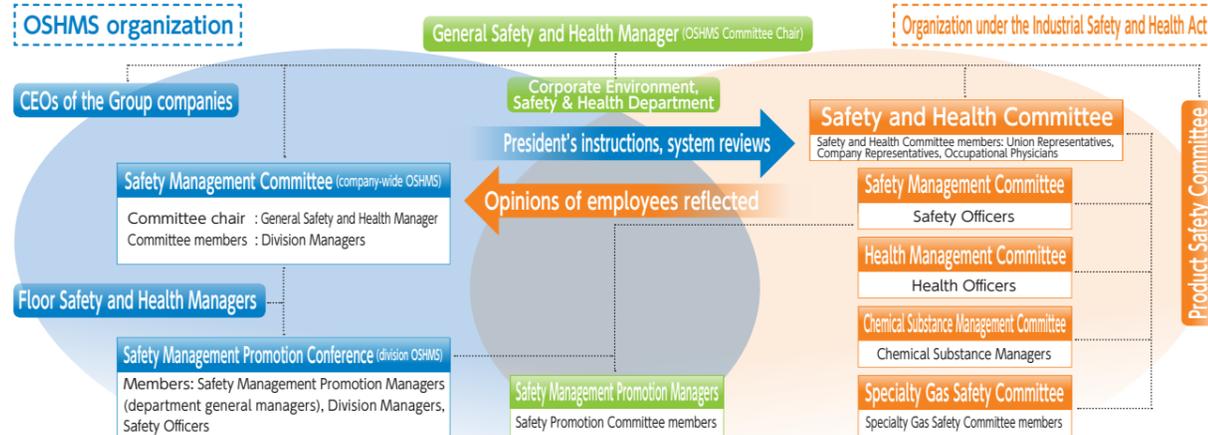
regularly held, ensuring involvement in safety and health management efforts throughout the Group from top management to onsite workers.

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

### ULVAC Safety Organization



\*The Occupational Safety and Health Management System (OSHMS) refers to all activities designed to enhance the safety and health levels of ULVAC according to the direction of the Ministry of Health, Labour and Welfare, such as publicizing safety and health policies, conducting risk assessments and safety measures, setting safety and health goals, developing and implementing safety and health plans, and conducting system audits and management reviews.



Employees at the office chant about safety measures.



Employees at the production site chant about safety measures.



A lecture on the basics of safety is provided.

## 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 been decreasing year 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

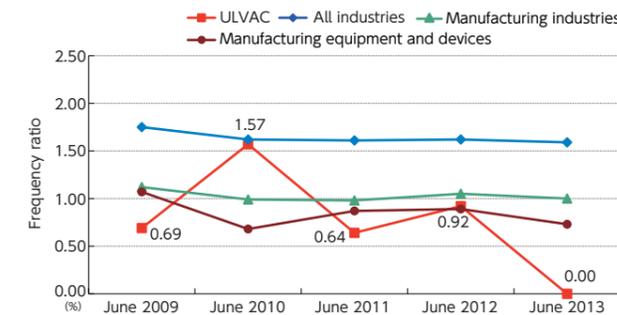
We have six AEDs at the Chigasaki Plant, where we are providing an internal training program to increase emergency life-saving capabilities and the awareness of employees. With the cooperation of the Chigasaki Fire Station and the Chigasaki Association for First Aid Dissemination, we offer a program 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.



Disaster drill

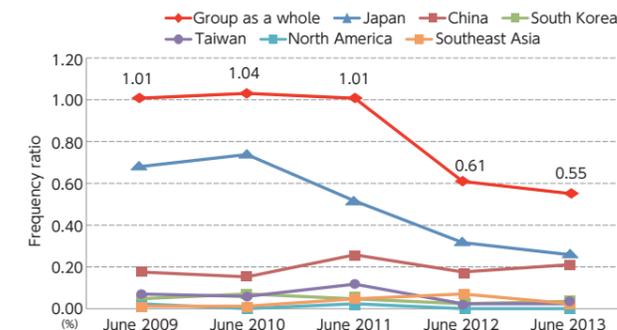
### Frequency ratio of occupational accidents at ULVAC

The data cover all ULVAC sites and branches. In fiscal 2012, ULVAC achieved a zero frequency ratio of occupational accidents.



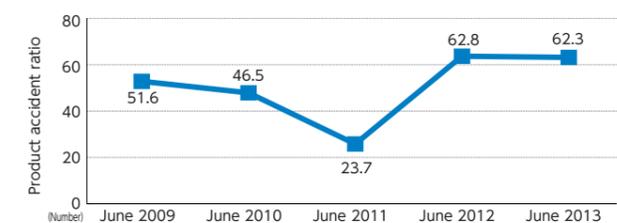
### Frequency ratio of occupational accidents throughout the ULVAC Group

The number of occupational accidents for the entire ULVAC Group has also been decreasing year by year, and the frequency ratio thereof in fiscal 2012 decreased to 10% from two years earlier.



### Product accident counts ratio

This graph indicates product accidents per unit of sales (ULVAC non-consolidated) relative to the number in the fiscal year ended June 30, 2008, which is indexed as 100. Beginning in fiscal 2011, the standard for counting accidents was altered so that all similar accidents concerning the same product are counted, which slightly increased the number of accidents. The figure in fiscal 2012 was almost unchanged from the fiscal 2011 level.



Emergency life-saving training

# 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



Crossing the finish line together!

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-Che 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~



More programs for children offered in fiscal 2012

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.



A donation box is placed on each floor of the workplace

## ➤ 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.



Magdeburg hemispheres experiment

## ➤ 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 TOHOKU  
The ULVAC Group took the initiative in cleaning the roads within the Hachinohe Kita Intersection 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 Furugomi trash-picking volunteer group in Susono (Susono CIP) and the Hakusan City Cleanup Campaign for the Second Half of Fiscal 2012 (Ishikawa CS).
- ULVAC-RIKO, Inc.  
Employees cleaned the roads around the company facilities every morning.
- TIGORD CORPORATION  
Employees performed outdoor cleaning activities around the Sammu Office.
- Reliance Electric Limited  
Employees volunteered to clean the Marine Park in Kanazawa-ku, 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.



ULVAC TECHNO, Ltd Oita CS Center



ULVAC-RIKO, Inc.



Reliance Electric Limited

## 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.

⊙: Higher achievements than targeted ○: Targets achieved or proceeded as planned △: Effort required ×: Further effort required

Stakeholders	Communication guidelines	Fiscal 2012 targets	Fiscal 2012 achievements	Self-assessment of the fiscal 2012 achievements	Fiscal 2013 targets
<b>Customers</b>	With a high priority on a trusting relationship with customers, we engage in various efforts to enhance the quality and safety of our products.	<ul style="list-style-type: none"> <li>Claim Management System</li> <li>Globalization of the ULVAC brand</li> <li>Globalization of the quality inspection system</li> </ul>	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.	○	<ul style="list-style-type: none"> <li>Review the Claim Management System (ULKES-QMS).</li> <li>Promote the introduction of the global integration certification of ISO9000/14000.</li> <li>Review systems for quality inspection.</li> </ul>
<b>Suppliers</b>	We strive to maintain and promote fair and appropriate transactions with our suppliers to help establish a secure relationship of mutual trust.	<ul style="list-style-type: none"> <li>Improve profitability through various cost-cutting measures.</li> <li>Supplier certification system</li> </ul>	Actively involved in the production processes of the business operating divisions and reduced costs.	○	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.
			The failure rate has been reduced steadily, and improvement initiatives for overseas facilities have started.	○	Promote the simplification of acceptance inspection procedure via the supplier certification system, thereby ensuring good quality.
<b>Shareholders and investors</b>	We endeavor to ensure the timely disclosure of business activities and financial information to promote communication with shareholders and investors.	<ul style="list-style-type: none"> <li>Issuance of ULVAC REPORT</li> <li>Financial results presentation materials and other IR communication</li> </ul>	Issued the ULVAC REPORT, an integrated report of the Annual and CSR reports.	○	Promote efforts at corporate communication.
			Responded to 164 analyst/investor relations issues during the year.	—	Increase the number of analyst/investor relations activities.
<b>Employees</b>	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.	<ul style="list-style-type: none"> <li>Revision of the personnel system</li> <li>CSR awareness survey</li> <li>Promoting mental and physical health</li> <li>Operation of the occupational safety and health management system to decrease accidents by half</li> </ul>	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.
			<ul style="list-style-type: none"> <li>Reviewed the systems of remuneration (salaries and bonuses) and evaluation, and completed a revision of the relevant regulations.*</li> <li>Established the portal Web site "UL-HEALTH" for employees, and access to health information on the Web site was increased.*</li> <li>Established the Health Management Regulations and the Detailed Regulations for Ensuring Mental Health to enable the systematic promotion of health management.*</li> </ul>	⊙	<ul style="list-style-type: none"> <li>According to the revised system for evaluation, provide trainings for evaluators to ensure the practical application of the system.*</li> <li>To help enhance the work-life balance of employees, provide education on labor management.*</li> <li>According to the Health Management Regulations, ensure follow-up measures to health checkups to reduce health risks.*</li> <li>Perform mental health checkups and provide personal interviews with those who require treatment to prevent the occurrence of mental illness.*</li> <li>Provide mental health seminars on a continuous basis to help create a worksite where employees can work with comfort and enthusiasm.*</li> </ul>
<b>Environment</b>	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.	<ul style="list-style-type: none"> <li>Develop and sell products that contribute to reducing the environmental burden.</li> <li>Decrease the environmental burden of our offices.</li> <li>Promote active involvement in and raise awareness of environmental activities, thereby making a social contribution.</li> </ul>	<ul style="list-style-type: none"> <li>Launched the sale of the PHI X-tool Automated XPS Microprobe featuring less power consumption.</li> <li>Released the "ULGLAZE system" for polycarbonate (PC) resin glazing components for automobiles.</li> <li>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.</li> </ul>	⊙	Develop and sell products that contribute to reducing the environmental burden.
			Despite efforts to make efficient use of energy, the environmental burden increased to 115.7% from the previous year mainly due to a rise in the CO <sub>2</sub> emission coefficient.	⊙	Decrease the environmental burden of our offices.
			ULVAC employees participated actively in external environmental activities.	⊙	Promote active involvement in and raise awareness of environmental activities, thereby making a social contribution.
<b>Local community</b>	We perform social contribution activities based on the practices and cultures of the countries and regions in which we operate.	<ul style="list-style-type: none"> <li>Tanbo Project</li> <li>Disaster prevention agreement with Chigasaki City</li> <li>Munsan River cleanup activity</li> <li>Local cleanup volunteering</li> </ul>	<ul style="list-style-type: none"> <li>Due to joint efforts by ULVAC, Inc., ULVAC TECHNO, Ltd. and the Shonan Research Institute of Bunkyo University, the rice-field acreage covered by the Tanbo Project doubled that of 2011 and the annual number of participants increased by 93.</li> <li>ULVAC TECHNO, Ltd. concluded a disaster prevention agreement with Chigasaki City. (ULVAC, Inc., did so in 2011.)</li> </ul>	○	<ul style="list-style-type: none"> <li>Aim to achieve 100 participants per event of the Tanbo Project, which will be in its fifth year, to promote communication with the local community.</li> <li>Formulate a policy on social contribution activities.</li> </ul>

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

## Corporate Governance

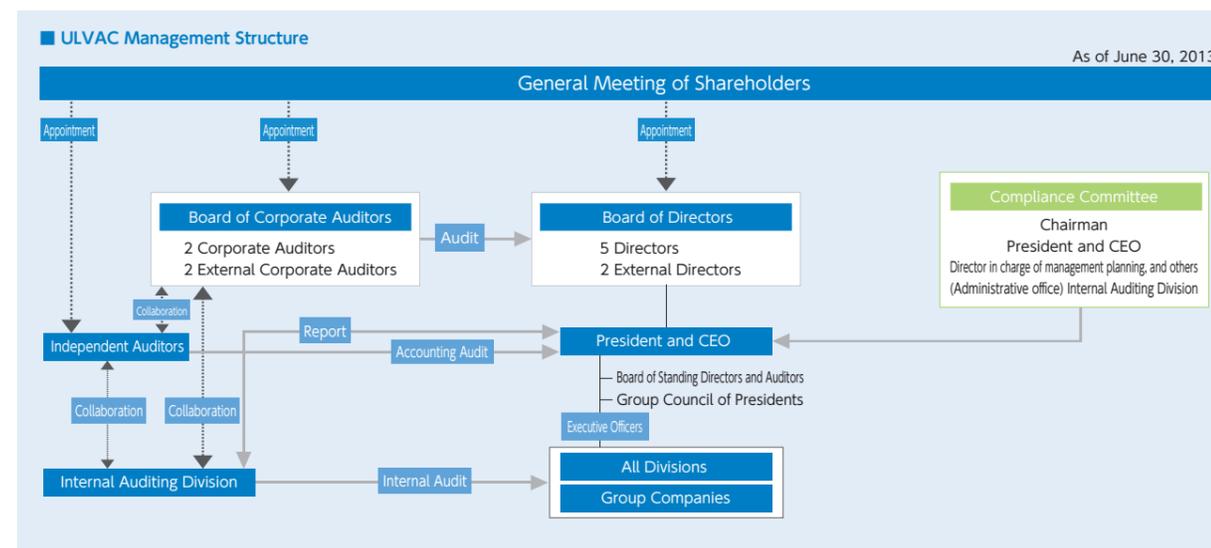
The ULVAC Group regards corporate governance as one of the most important managerial issues to fulfill its corporate responsibility toward society and shareholders. We place importance on the prompt and efficient execution of business operations, while securing the fairness, neutrality and transparency 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 in addition 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

To introduce systems for full compliance with laws and regulations, the ULVAC Group has systematically established Compliance Regulations and related rules. In accordance with these regulations and rules, the ULVAC Group has also established operational procedures for the Compliance Committee and the Compliance Violation Reporting System and has been working to cement a spirit of compliance across the company.

### Establishment of a Corporate Code of Conduct

ULVAC has established a Corporate Code of Conduct consisting of 18 items that describe the behavioral standards expected of employees. After describing the details, we give employees a booklet that describes the

content of this code.

The booklet helps employees to act in compliance with the law as a representative of our business.

### 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

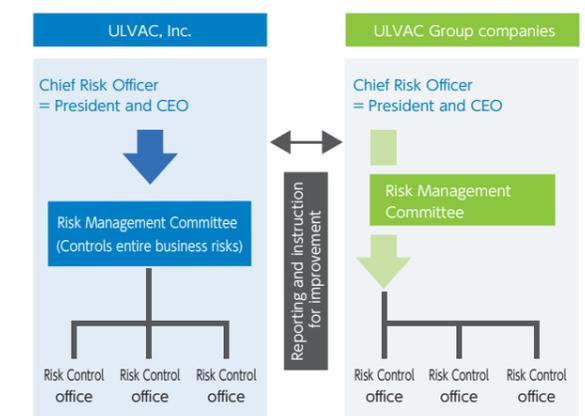
The ULVAC Group believes that expanding the risk management system is a critical business task. Thus, we have established the ULVAC Risk Management Policy to ensure that there are common rules across the ULVAC Group. The President of each group company assumes

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 classified 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.

### Risk Management System



- Risk management activities are implemented by the responsible departments through the PDCA processes.
- Each group company decides upon the necessity of establishing its Risk Management Committee in consideration of its size and other factors.

## Board of Directors and Auditors

### Directors



**Hisaharu Obinata**  
President and Chief Executive Officer



**Akinori Bo**  
Director and Senior Executive Officer



**Mitsuru Motoyoshi**  
Director and Executive Officer



**Masasuke Matsudai**  
Director and Executive Officer



**Hideyuki Odagi**  
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



**Dr. Paik Choong Ryul**  
Executive Officer



**Akira Umeda**  
Executive Officer

### Auditors



**Nobuo Oi**  
Auditor



**Hironobu Machidori**  
Auditor



**Senshu Asada**  
External Auditor



**Kazumi Ohtsuka**  
External Auditor

# Financial Highlights

FOR THE YEAR DATA	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2009.06	2010.06	2011.06	2012.06	2013.06	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 (loss)	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	6,871	7,169	7,878	6,981	6,579	6,579

(Yen) (U.S. dollars)

PER SHARE DATA						
Net assets	1,961.08	1,992.06	1,787.51	751.00	806.38	8.18
Net income (loss)						
—Basic	18.90	46.60	(176.43)	(1,012.94)	(87.79)	(0.89)
—Diluted	17.44	42.65	—	—	—	—
Cash dividends	21.00	21.00	—	—	—	—

(%)

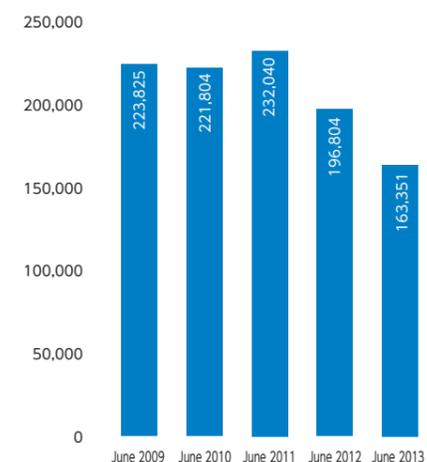
OTHER INFORMATION						
Net income / Average total assets (ROA)	0.3	0.7	—	—	—	—
Net income / Average shareholders' equity (ROE)	0.9	2.3	—	—	—	—
Shareholders' equity ratio	26.4	31.3	28.1	14.8	22.7	22.7

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on June 30, 2013, which was U.S. \$1 = ¥98.63.

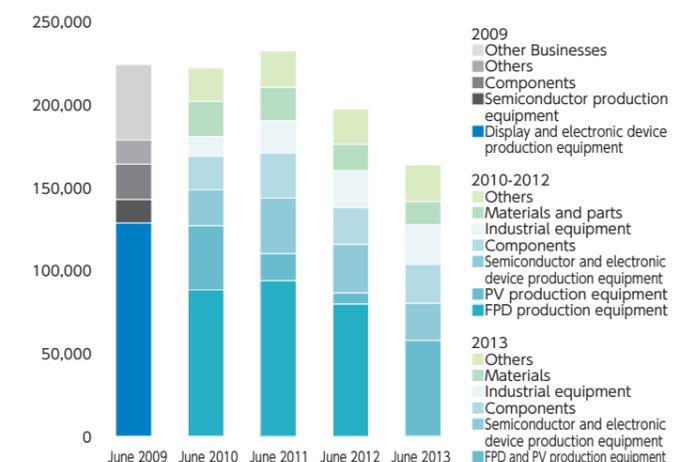
### Disclaimer regarding forward-looking statements

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.

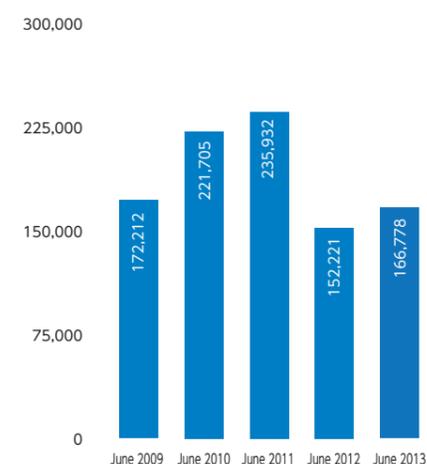
Net sales (Millions of yen)



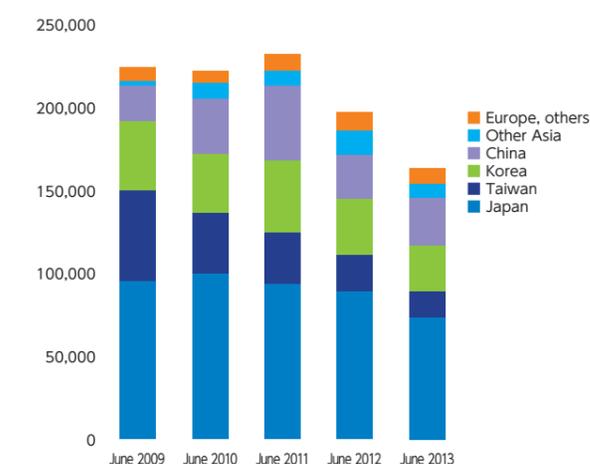
Net sales by business segment (Millions of yen)



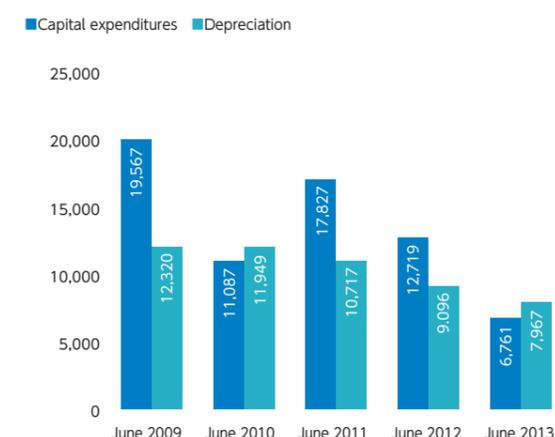
Orders received (Millions of yen)



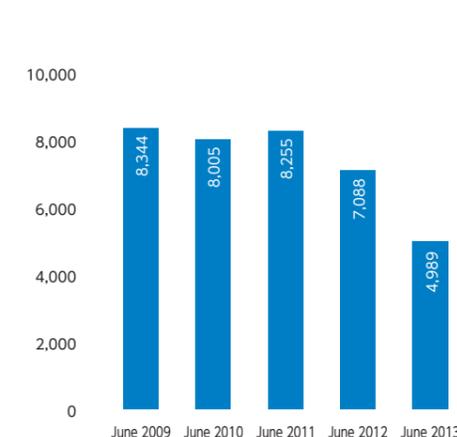
Net sales by region (Millions of yen)



Capital expenditures/Depreciation (Millions of yen)



R&D costs (Millions of yen)



# Analysis of Business Results

## Business results for the current fiscal year

During the fiscal year ended June 30, 2013, the Japanese economy rallied steadily despite some uncertainties, reflecting solid personal consumption and the improvement of corporate profits mainly due to the rise in stock prices and the correction of the yen appreciation, which were attributable to various economic policies taken by the Japanese government. In the United States, a gradual undertone of recovery was seen with positive signs such as improved personal consumption and a decline in the unemployment rate. In Europe, concerns about the future of public finance and a heightened unemployment rate remained in several countries despite positive signs of the economy having bottomed. The pace of growth of the Chinese economy gradually slowed, reflecting the slowed growth in personal consumption and exports.

Under these circumstances, in the flat panel display (FPD) industry in which ULVAC's main customers are involved, capital expenditures related to large LCD TVs remained stagnant due to the sluggish TV market. Although a temporary pause was seen in capital expenditures for small to medium-sized LCDs for mobile devices, signs of recovery were seen partly with the trends in capital expenditures relating to organic electroluminescence (EL) displays, which have drawn people's attention as a next-generation display. Although demand for PCs remained stagnant in the semiconductor industry, several customers started proactive moves aimed at resuming capital expenditures in light of the bottoming for memory prices.

In terms of profits, given sustained requests for price reductions from customers and severe price competition with other manufacturers of production equipment, we streamlined fixed costs by trimming various expenses across the Group

and cutting back capital expenditures. We also pushed ahead with curtailment of production costs. In addition, in an extremely severe order reception environment in the FPD and semiconductor industry, we carried out emergency measures to reduce fixed costs.

As a result, regarding the consolidated performance for the fiscal year ended June 30, 2013, orders received increased by 14,558 million yen, or 9.6%, year on year, to 166,778 million yen, supported by such contributive factors as increased orders received for FPD production equipment such as organic EL. However, net sales dropped by 33,453 million yen, or 17.0%, to 163,351 million yen, affected by negative factors such as the delayed timing for order reception. For consolidated profit and loss, operating profit amounted to 6,115 million yen (compared with an operating loss of 6,384 million yen recorded for the previous fiscal year) and ordinary profit was 6,264 million yen (compared with an ordinary loss of 6,497 million yen recorded for the previous fiscal year), thereby recording a surplus through efforts to promote business structure improvement and cost reduction despite a decline in net sales. Nevertheless, a net loss of 3,807 million yen (compared with a net loss of 49,984 million yen recorded for the previous fiscal year) was recorded particularly due to the posting of 6,089 million yen in business structure improvement expenses under extraordinary losses, which were derived from the review of parts of unprofitable products and transactions in the materials business sector. The breakdown of the business structure improvement expenses of 6,089 million yen includes a loss on devaluation of inventories of 5,398 million yen and an impairment loss of 691 million yen for idle assets.

## Vacuum Equipment Business

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

### FPD production equipment and PV production equipment

In the FPD-related market segment, orders received increased year on year for organic EL production equipment for mobile devices and lighting mainly to the Asian region and LCD production equipment for large LCD TVs mainly to China. Sales were posted for sputtering equipment for large LCD TVs, sputtering equipment for the production of small to medium-sized LCDs for mobile devices, plasma-enhanced chemical vapor deposition (PE-CVD) equipment and organic EL production equipment.

In the PV-related market segment, some orders were received for high-efficiency crystal-type PV cell production equipment and sales were posted mainly for compound-type PV cell production equipment to South Korea and Taiwan. Capital expenditures remained stagnant in the market despite an enthusiastic backing of the PV cell market supported by the government's subsidy policy.

### Semiconductor and electronic device production equipment

In the semiconductor and electronic device-related market segment, both orders received and sales declined in the generally harsh business environment, affected by the sluggish demand for PCs. Although orders were received for the ENTRON™-EX series of sputtering equipment not only for post-processes but also for pre-processes, overall recovery of orders

received for equipment for smartphone-related foundries was not achieved. Orders received for and sales of LED production-dedicated dry-etching systems and deposition systems were lower than anticipated due to the lack of the enthusiastic backing of demand for LEDs, which are mainly used for lighting and LCD backlights as energy-saving means.

### Components

In the component-related market segment, orders received for dry pumps and vacuum pumps for semiconductor production equipment remained sluggish, affected by weak capital expenditures in the FPD and semiconductor industry. Meanwhile, orders received and sales related to cryopumps for organic EL production, which are slated for mobile devices and the optical field, and small pumps used in analysis devices and medical equipment remained robust. Consequently, both orders received and sales increased year on year.

### Industrial equipment

In the industrial equipment-related market segment, sales of vacuum heat treatment furnaces for automobile parts, automatic helium leak test systems, medical-use drying equipment and vacuum distilling systems for health foods remained robust, increasing year on year.

As a result, the vacuum equipment business saw orders received of 130,283 million yen, an order backlog of 61,323 million yen and net sales of 127,282 million yen. Operating profit was 5,411 million yen.

## Vacuum Application Business

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

### Materials

With respect to the sputtering target materials for LCDs, the business environment was continuously severe with low operating rates at the factories of major panel manufacturers. In addition, sales and orders received remained sluggish, both

decreasing year on year, further affected by the impact of decreased production due to production adjustment in the semiconductor-related sectors.

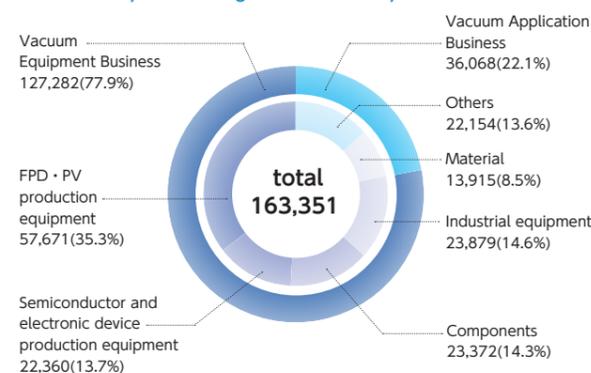
### Others

In the control-system-related market segment, although sales were posted mainly in the Japanese automobile industry, orders received remained stagnant due to the impact of postponed or temporarily abandoned investment projects destined for China. With respect to analysis devices, orders received and sales remained steady mainly from private-sector companies and national research institutes in Japan, the United States and Europe. Meanwhile, orders received and

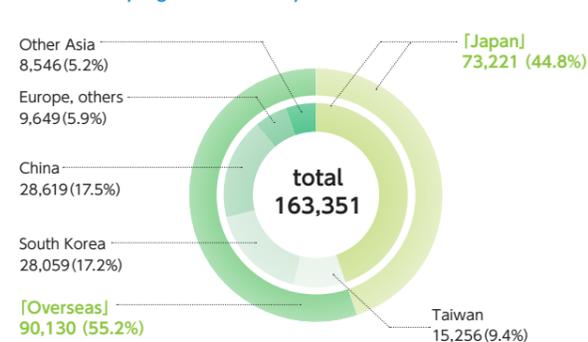
sales of the mask blanks business remained steady, mainly in association with small to medium-sized LCDs and touch panels, supported by favorable markets for smartphones and tablet PCs.

As a result, the vacuum application business saw orders received of 36,496 million yen, an order backlog of 11,221 million yen and net sales of 36,068 million yen. Operating profit was 588 million yen.

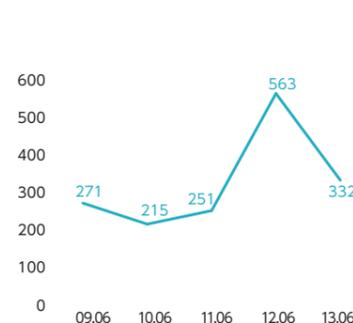
Net sales by business segment (Millions of yen)



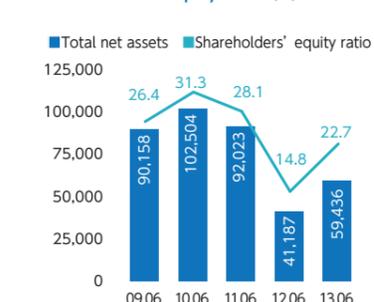
Net sales by region (Millions of yen)



Debt ratio (%)



Total net assets (Millions of yen) / Shareholders' equity ratio (%)



SG&A expenses (Millions of yen)



## Analysis of Financial Position

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

#### ●Assets

Total assets decreased by 6,362 million yen compared with the end of the previous fiscal year. This decrease was attributable to decreases of 5,281 million yen in notes and accounts receivable, trade, 13,301 million yen in inventories and 3,903 million yen in construction in progress, 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 compared with the end of the previous fiscal year, chiefly owing to decreases of 10,000 million yen in commercial paper, 4,288 million yen in provision for loss on contract, 7,276 million yen in "Other" under current liabilities and 4,134 million yen in long-term debt.

#### ●Net assets

Total net assets increased by 18,249 million yen 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 Cash flows

#### ●Cash flows from operating activities

Net cash provided by operating activities amounted to 22,357 million yen, reflecting positive factors such as depreciation and amortization, a decrease in accounts receivable, trade, a decrease in inventories and an increase of advances received, as well as negative factors such as net loss before income taxes and minority interests, a decrease in accounts payable, trade, a decrease in provision for loss on contract and special additional retirement benefits paid.

#### ●Cash flows from investing activities

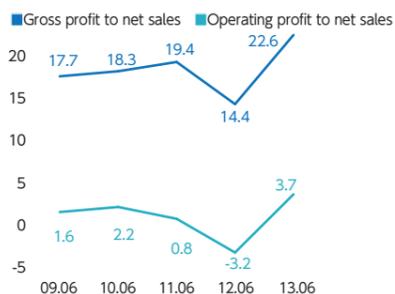
Net cash used in investing activities amounted to 4,506 million yen, which was mainly attributable to the payments for acquisition of tangible and intangible fixed assets and the purchase of stocks of subsidiaries and affiliates.

#### ●Cash flows from financing activities

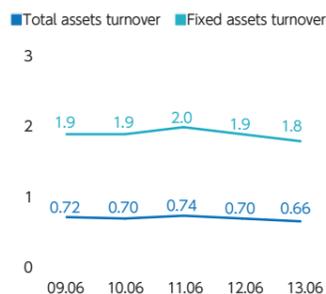
Net cash used in financing activities totaled 3,619 million yen, chiefly arising from a net increase in short-term borrowings, a net decrease in commercial paper, a decrease in long-term debt and the repayment of lease liabilities.

As a result, consolidated cash and cash equivalents were 44,204 million yen at the end of the current fiscal year, up 16,024 million yen from the end of the previous fiscal year.

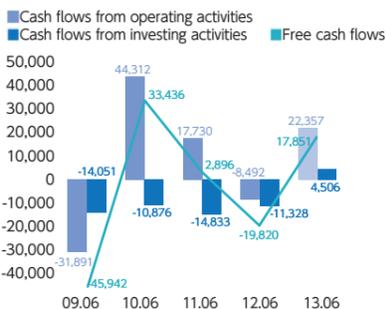
#### ■ Gross profit to net sales (%) / Operating profit to net sales (%)



#### ■ Total assets turnover (Times) / Fixed assets turnover (Times)



#### ■ Cash flows (Millions of yen)



## Business and Other Risks

Major potential factors that could influence business performance and the financial position of the ULVAC Group are as follows:

### 1 Fluctuations in the Markets for FPDs, Photovoltaic Cells (PVs) and Semiconductors

The ULVAC Group has grown by developing proprietary technologies for vacuum equipment used in the manufacturing process 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, our corporate customers, or any deterioration in the financial conditions of our corporate customers could affect our business results and financial position.

### 2 Influence of Research and Development

Based on sustained proactive investment in research and development, the ULVAC Group has consistently brought new products to market using cutting-edge technologies. However, if it becomes extremely difficult to achieve the development that meets the requirements indispensable for the commercialization of new products or such development is markedly delayed in comparison with the envisioned plans, our business results and financial position could be affected adversely.

### 3 Influence on Pricing Competition

Although in the FPD industry—ULVAC's principal customer—demand for digital home appliances remains robust, there is constant pressure from the customer side to lower prices. In addition, new competitors are emerging in South Korea, Taiwan and China, further intensifying sales competition. These factors, combined with higher costs caused by surging prices for raw materials and goods purchased, could affect our business results and financial position.

### 4 Influence 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, as a rule, denominated in yen. 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.

### 5 Influence of Global Business Development

To secure market share in China, a prospective future growth market, the Group has proactively advanced into China and is pursuing business initiatives through locally incorporated subsidiaries. Although arrangements have been put into place at locally incorporated subsidiaries for gauging business conditions and taking corrective actions when needed, risks such as various restrictions and/or changes in tax/exchange rate systems due to unforeseeable changes in legal systems, political instability, business fluctuations and an outflow of personnel could affect our business results and financial position.

### 6 Influence of Quality Assurance Efforts

The Group has installed quality assurance systems, acquired ISO9001 certification and has been providing services with a high level of customer satisfaction. As ULVAC continually provides products with leading-edge technologies, there are numerous development elements that could lead to a situation in which ULVAC has to collect and repair products free of charge due to some unforeseeable defect; this could affect our business results and financial position.

### 7 Influence of Intellectual Property Rights

The Group owns numerous patents related to various types of vacuum systems and proactively aims to acquire intellectual property rights. Moreover, ULVAC examines the patents of third parties concerning such products. However, unforeseeable litigation brought by a third party for a breach of patent rights might pose risks that could negatively affect our business results and financial position.

### 8 Impact on Financing

A financial covenant may often be incorporated into some of the loan agreements that the Group has entered into with financial institutions. Any violation of such financial covenants might negatively influence our business results and financial position.

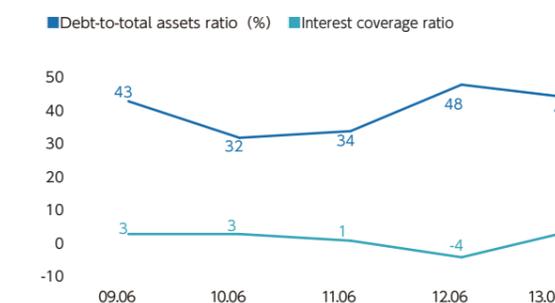
### 9 Litigation-Related Risk

There is a risk in which the Group might be targeted in any lawsuits in Japan and overseas with regard to the businesses in which the Group engages. An important lawsuit filed against any of the Group companies could negatively affect our business results and financial position.

### 10 Other Risks

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 climates, or any event of force majeure, such as natural disasters, acts of war or terrorism, or infectious diseases.

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



## Stock Information (As of June 30, 2013)

□ Total number of stocks authorized	Common stock.....	100,000,000
	Class A classified stock.....	1,500
	Class B classified stock.....	37,500
□ Total number of stocks issued	Common stock.....	49,355,938
	Class A classified stock.....	1,500
	Class B classified stock.....	36,358
□ Total number of shareholders	Common stock.....	22,755
	Class A classified stock.....	1
	Class B classified stock.....	36

### Major Shareholders (Common Stock)

Shareholder's name	Number of Shares (thousands)	(%)
TAIYO FUND, LP.	8,538	17.30
Nippon Life Insurance Company	3,242	6.57
Mizuho Bank, Ltd.	1,916	3.88
Sumitomo Mitsui Banking Corporation	1,864	3.78
Japan Trustee Services Bank, Ltd.(Trust account)	1,016	2.06
Association of Employee Shareholders of ULVAC	1,000	2.03
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	910	1.84
Inabata & Co., Ltd.	795	1.61
BANK OF NEW YORK MELLON SA/NY FOR BNY GCM CLIENT ACCOUNT ELS CB	727	1.47
Sumitomo Mitsui Trust Bank	702	1.42

### Number of Shareholders (Common Stock) total : 22,755shareholders

Individuals and Other	22,316 shareholders
Domestic Corporations	190 shareholders
Foreign Companies	132 shareholders
Financial Institutions	41 shareholders
Securities Companies	39 shareholders
Foreign Investors	36 shareholders
Treasury stock	1 shareholder

### Number of Shares Held (Common Stock) total : 49,355,938 shares

Individuals and Other	16,141,163 shares
Foreign Companies	15,048,675 shares
Financial Institutions	12,870,220 shares
Domestic Corporations	4,586,326 shares
Securities Companies	641,561 shares
Foreign Investors	65,003 shares
Treasury stock	2,990 shares

**ULVAC**

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