

Corporate Governance

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

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

Firstly, ULVAC has a Board of Directors, which is a decision-making body for important management issues. The Board holds regular meetings once a month, as well as ad hoc meetings as necessary to ensure flexibility. The Board of Directors comprises 10 members, of whom four are external directors. Three of the external directors are designated as independent external directors. By virtue of this structure,

ULVAC is not only able to make swift and efficient judgments concerning important management issues, but is also able to achieve fair, impartial, and highly transparent deliberation, as well as operational supervision.

Next, with the introduction of an executive officer system, executive officers exercise executive functions, having been granted a certain amount of responsibility and authority over their designated areas, through delegation by the Board of Directors. ULVAC also has a Board of Executive Officers that comprises a total of 16 internal directors and executive officers. The Board of Executive Officers holds regular meetings once a month, as well as ad hoc meetings as necessary. By virtue of this structure, we have achieved more flexible and swifter business operations that are appropriate for a rapidly changing business environment, based on a clear expression of the responsibilities and authority of each executive officer.

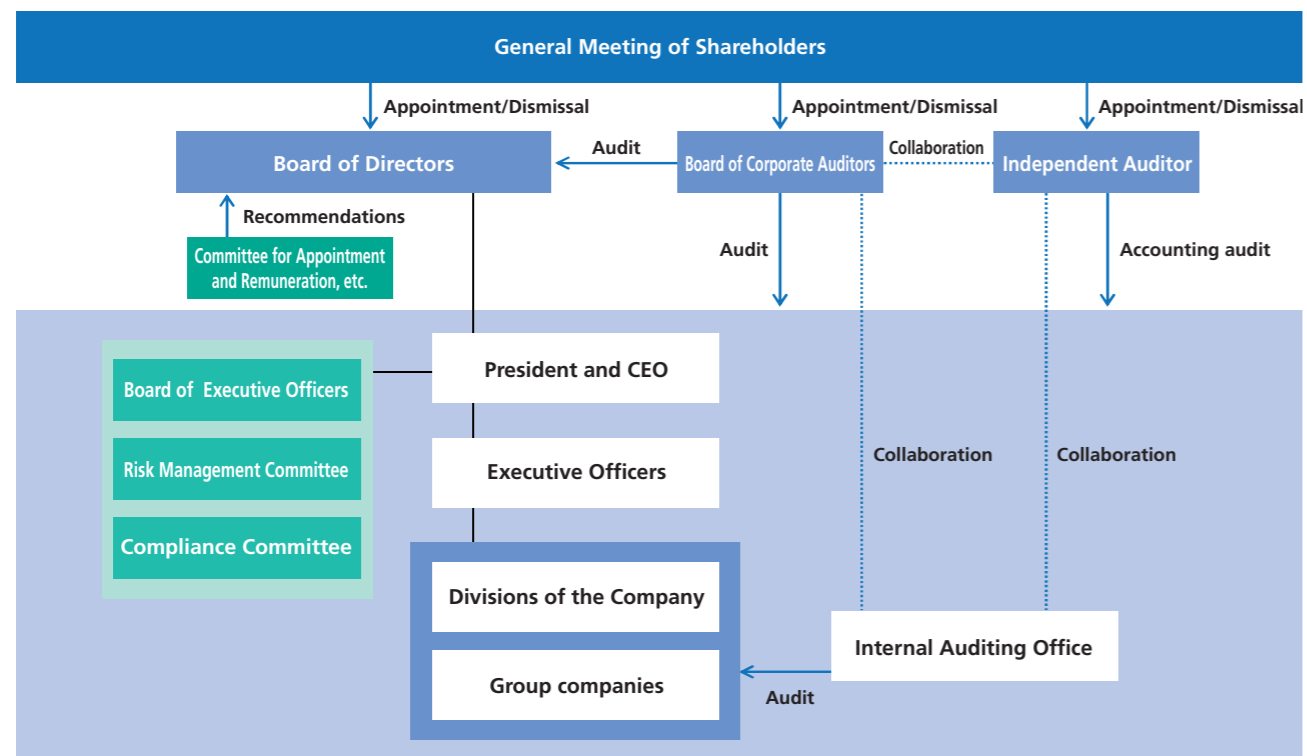
In addition, ULVAC has a Board of Corporate Auditors, which performs auditing and supervision of management decision-making and business operations. The Board of Corporate Auditors comprises four members, of whom two are external auditors. Both of the external auditors are designated as independent external auditors. We ensure full auditing and supervisory functions through close links between auditors and the Internal Auditing Office and the independent

auditor, whose independence is ensured, as well as through attendance and comments by auditors at important meetings, such as meetings of the Board of Directors and the Board of Standing Directors and Executive Officers, and through regular meetings between the Internal Auditing Office and the President, etc. By virtue of this structure, we have achieved rigorous, fair, impartial, and transparent auditing and supervisory functions, ensuring that each auditor obtains sufficient information.

Furthermore, we have a Committee for Appointment and Remuneration, etc., for instances that

require objective determination of important matters, such as the appointment and remuneration of directors and executive officers. The Committee for Appointment and Remuneration, etc., comprises seven members, of whom five are independent external directors or independent external auditors. Of the remaining two members, one is an external director. By having these kinds of advisory bodies for the Board of Directors, we are able to achieve fair, impartial, and highly transparent deliberations with regard to especially important management decisions, and increase the effectiveness of the Board of Directors.

Corporate Governance Structure (As of September 30, 2018)



Topics

Holding a meeting of ULVAC's Board of Directors at a subsidiary in China and conducting a business tour

In June 2018, a meeting of the Board of Directors of ULVAC, Inc. was held at ULVAC (SUZHOU) Co., Ltd., a subsidiary in China whose growth is expected to continue. This was the first time ULVAC held its Board of Directors meeting overseas. In addition to a plant tour, exchanges with management of Group companies and joint venture partners in China were a great opportunity for ULVAC directors to deepen their understanding of ULVAC's business development in China while familiarizing themselves with Chinese culture.



Message from an External Director

ULVAC's management and operation of the Board of Directors



Norio Uchida
External Director

For ULVAC to become a leading global enterprise
ULVAC needs to make efforts to further enhance corporate value by strengthening not only technological capabilities and manufacturing innovation but also global competitiveness and entry to new business fields. At the same time, it is essential to enhance the effectiveness of governance by the Board of Directors.

My role
Utilizing the knowledge I have accumulated in the course of my career, I will supervise management in terms of business orientation and risk management from an objective stance as an independent officer.

My guiding principles are to act swiftly, share information, and ensure corporate governance and compliance. With the aim of further enhancing the effectiveness of governance, I am committed to taking actions and making decisions that are in the interest of our stakeholders and will meet with their approval.

My expectations regarding ULVAC's sustainable growth
With a view to enhancing corporate value and achieving sustainable growth so as to become a leading global enterprise, human resources development is the top priority. I think it is important to develop excellent personnel with a

global perspective who are well versed in the liberal arts, can adapt to conditions around the world, are decisive when they encounter issues involving contradictions, can envisage various scenarios, are sensitive to risk, and can exercise leadership.

Secondly, it is vital to strengthen technological capabilities. You can't create a world's first without imagination and sensitivity, and you can't create the best in the world without innovation. So it will be necessary to further globalize R&D and seek cooperation with other companies and external human resources that transcends the conventional framework.

Thirdly, it is important to strengthen global information capabilities. I would like to see business management accelerated by enhancing the quality of operations to a global standard and through information sharing.

Finally, I would like to see ULVAC's group-wide initiatives for sustainable management flourish as such initiatives have an increasingly powerful impact on corporate value.

I will do my utmost to contribute to the success of ULVAC's ongoing efforts to achieve sustainable growth, enhance corporate value, and become a leading global enterprise.

Compliance

The ULVAC Group views compliance as a vitally important issue. In addition to conducting awareness-raising activities so that each person in the ULVAC Group acts with a spirit of compliance, we are establishing and operating a range of institutions and regulations to ensure thorough compliance.

Establishment of Corporate Code of Conduct

The ULVAC Group has established a Corporate Code of Conduct comprising 18 items, conducted education, and distributed booklets to inculcate a culture of compliance, in order to ensure that the execution of the duties of officers and employees is compliant with laws and regulations and internal rules, and that we fulfill our corporate social responsibility.



Compliance Education

ULVAC is working to create a culture of compliance through awareness-raising activities. As part of this effort, we are providing opportunities for regular and ad hoc education and training.



Whistleblowing System

ULVAC has adopted a whistleblowing system operated through the Internal Auditing Office, which is an independent body. The Internal Auditing Office also serves as the secretariat for the Compliance Committee, and it is structured to give full consideration to confidentiality throughout the process of investigating the content of reports. This system does not prevent the person making the report from selecting other institutions or organizations within the Company as the destination for the report, and in such case, the report shall also be handled appropriately.

Individuals making reports are not treated unfavorably in any way. Reports can also be submitted

anonymously.

After a whistleblower report has been received, the initial response is for the Compliance Committee to conduct an investigation in order to establish the facts. This investigation is particularly mindful of fairness, and is conducted judiciously and thoroughly. If necessary, assistance may be sought from external experts, such as lawyers, and thorough interviews that are as wide-ranging as necessary may be conducted and analyzed.

The president chairs the Compliance Committee and the members of the Committee observe a strict duty of confidentiality in carrying out their duties.

Handling of Violations

In the event that, based on the results of an investigation by the Compliance Committee, it is deemed that a violation of laws or regulations has been committed, then the opinion of an external expert, such as a lawyer, may be sought as necessary, steps will be taken to ensure that the violation ceases with

immediate effect and improvement measures will be implemented, and those involved in the violation will be dealt with after deliberation by the appropriate bodies. In addition, the root causes of the violation are also investigated in order to formulate effective measures for preventing recurrence.

Risk Management

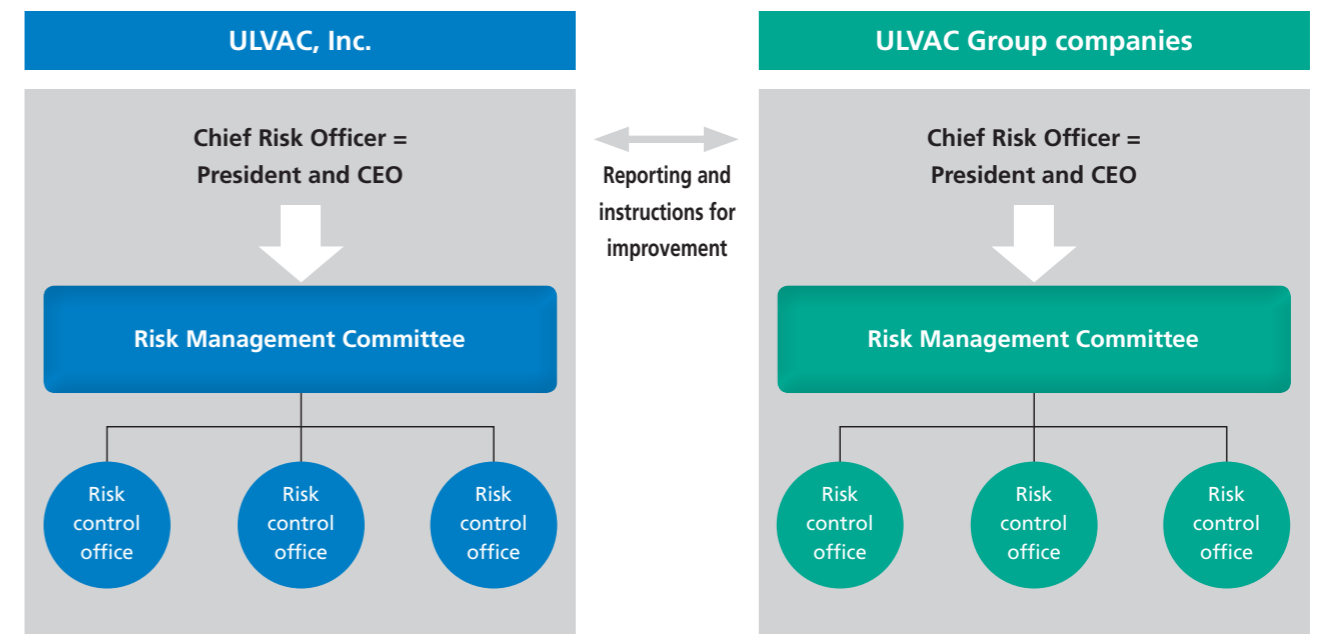
The ULVAC Group considers that responding appropriately to increasingly complex and diverse risk factors leads to the creation of governance structures that contribute to the fulfillment of legal requirements and the creation of internal control structures, and by extension, the medium- to long-term improvement of corporate value. We are expanding systems that can respond appropriately to risk factors through identification, classification, analysis, and evaluation, and we are working to increase corporate value by reflecting them in our management strategy.

Risk Management System

In regard to risk management initiatives, ULVAC has established rules concerning its risk management system, classifying a broad range of risks from various perspectives, and designated the control offices primarily responsible for risk management according to the classification of risks. Furthermore, these risk control offices identify more specific risks and respond to them. We work to ensure that these offices efficiently gather important information in operating the risk management system. In addition, in order to share and evaluate information concerning the operation of the risk management system on a company-wide basis, we have a Risk Management Committee, which

is chaired by the president, and mainly comprises representatives of the risk control offices with primary responsibility for risk management. The Risk Management Committee holds regular twice-yearly meetings as an umbrella organization for risk management, and it determines company-wide basic policies, monitors the state of management and administration, and considers any improvements that can be made, etc. Furthermore, initiatives at ULVAC are implemented at ULVAC Group companies as appropriate for the scale and business type of the company in question.

Risk Management System



- Risk control offices are designated according to risk classifications and they implement risk management through a PDCA cycle.
- Each Group company decides whether it is necessary to establish a Risk Management Committee in consideration of the size of the company in question and other factors.