



Reforming corporate governance and bringing more value to the aluminum business with the goals of raising corporate value and achieving sustainable growth

Offering support for management and corporate governance from different perspectives than those at UACJ

—What impression of UACJ did you have when you were appointed as an outside director?

Ikeda: I sensed that everyone in the Company is really serious and sincere about their work. When I reviewed documents prepared ahead of meetings of the Board of Directors, I thought they were very thorough and well organized. Later I toured numerous sections of factories, and, as expected of a manufacturer, the shop floor was full of energy, which really impressed me.

Sakumiya: My first impression was basically the same—UACJ appeared to be a very serious company. It seemed like all members would immediately deal with any problem that arose and work diligently to find a solution. On the other hand, if everyone is too serious and, in some respects, obedient, there will not be much thinking outside the box.

—What roles are you expected to perform as an outside director?

Ikeda: While working for a chemical material manufacturer for many years, I was involved in starting up operations in other countries and managing companies in Japan and overseas. While I was on the front lines of business back then, since I retired there almost three years ago, I gained even more opportunities to work with people from many

different industries by providing assistance to a number of companies. In that process, I was able to discover things I didn't know and to experience different ways of doing things. I think the Company expects me to draw from that experience and offer viewpoints that differ from its own personnel while supervising and assisting management.

Sakumiya: I served as an executive vice president at Omron Corporation up until June 2017, and it earned a reputation for being at the forefront of corporate governance in Japan. For instance, Omron adopted an executive officer system in 1999, and set up a personnel advisory committee and a nomination and remuneration advisory committee in 2003, ahead of most companies. In that context, I focused my energy on enhancing its corporate governance, and dedicated myself to supervising management as a non-executive director for six years from 2011. By making use of that experience, I think one of my roles as an outside director at UACJ will be to help reform its corporate governance.

Supporting a more effective corporate governance system and utilizing techniques for securing a higher return on invested capital

—How do you think you can apply your professional experience and expertise in UACJ's management?

Ikeda: In the materials manufacturing business, progress



is generally made through trial and error. In most cases, for every one success there is usually a series of repeated failures. When we failed, we analyzed the causes, but there were numerous times when we could not precisely identify the problem just by debating things within the company.

Sakumiya: I assume because everyone tends to develop similar lines of thinking when working at the same company.

Ikeda: That's right. But when we are exposed to diverse cultures and ways of doing things by working in different countries, interacting with people in different industries, and so on, we observe all kinds of things we had never noticed before. In UACJ's case, it is a company that deals primarily in aluminum, and when seen from outside, its corporate culture appears insular in some respects, even if that is not perceived internally. In that regard, as an outside director, I would like to point out issues that tend to be overlooked inside the Company, which I hope will contrib-

ute to enhancing its corporate value.

Sakumiya: Given my background, I mainly want to help reform UACJ's corporate governance. For example, although the Company has already shifted to a system that separates the management execution and supervision functions, now that the system is in place, the challenge going forward is making it more effective. I think my experience can be used to help optimize the workings of that system.

Ikeda: I understand that Omron began managing its return on invested capital (ROIC) before UACJ, which adopted ROIC as an important financial indicator from this fiscal year.

Sakumiya: Yes, Omron has been using ROIC as a basic tool in its operational management. Managing ROIC is advantageous because it allows the earnings power of various operations under different business models to be assessed using a common indicator. Omron also created an "ROIC reverse tree formula" for analyzing the components

Takahiro Ikeda (shown left)

Director, Member of the Board (outside, part-time)

Over his career, Mr. Ikeda has served as an executive officer at Mitsubishi Chemical Corporation*, president of Dia Chemical Co., Ltd.*, and a director and managing executive officer at Mitsubishi Rayon Co., Ltd.* He has been involved in expanding business throughout the ASEAN region and the rest of Asia, including the expansion of Mitsubishi Rayon's operations in Indonesia.

* Now part of the current Mitsubishi Chemical Corporation

Akio Sakumiya (shown right)

Director, Member of the Board (outside, part-time)

After serving as a director and executive vice president at Omron Corporation, Mr. Sakumiya turned his attention to management supervision as a non-executive director, serving as vice chairperson in various advisory committees, including a company president nomination committee. He also contributed to raising Omron's corporate value by applying return on invested capital as a key performance indicator for management.

of ROIC at the accounting item level and setting specific goals for increasing ROIC in every workplace. Managing ROIC also facilitates business portfolio management and indicates which businesses should be targeted and focused on. Indeed, it is essential for decisions to shift operational resources to businesses that can generate earnings and withdraw from businesses that produce low profits. I think ROIC is a useful indicator if applied throughout a company's operations, including its selection and concentration of businesses.



—**Mr. Ikeda, given your extensive business experience in China and Southeast Asia, what advice do you have for UACJ with respect to its global expansion?**

Ikeda: UACJ has been undertaking extremely large investments in Thailand and the United States in recent years. In emerging countries like Thailand, society is transforming at a remarkable speed, which is very different than the moderate pace of change here in Japan. Therefore, if we try to manage operations in such a country according to our usual practices in Japan, we will encounter a widening gap between how the operations are perceived at the worksites there. When managing operations in a different country, it is essential for headquarters to consider the actual circumstances there and be engaged with the worksites so they do not become isolated. In UACJ's case, especially, since it has made such vast investments, rather than segmenting businesses under Asia and North America, both need to be treated as group businesses. That is UACJ's biggest management challenge, and unless it is dealt with, I do not envision success in the future.

Enhancing the supervisory function of the Board of Directors while striving for sounder and more transparent governance

—**Please tell us your views on UACJ's corporate governance?**

Ikeda: I think more authority should be transferred to the Executive Management Committee and other committees so they can decide on agenda items now handled by the Board of Directors, because that would give us more room to deliberate on important matters related to aligning business strategies and maintaining sound financial affairs.

Sakumiya: I agree. The Board of Directors has both management and supervisory functions, but improving the supervisory function is regarded as more important in corporate governance reforms today. Therefore, UACJ will have to place more importance on the Board's supervisory function while clearly distinguishing between management and supervision in the future. For that purpose, it will be necessary to limit the number of agenda items that can be fully deliberated, and also to ensure that an appropriate number of members attending meetings of the Board are responsible for supervision.

Ikeda: When proposals are made in Board meetings by members in charge of business execution, the viewpoints tend to be concerned with protecting their respective businesses. The Board of Directors is a venue for discussing things from a broad perspective that takes the whole company into account. Therefore, to enable even more objective discussions, especially in connection with proposals for supervising business execution, it may be necessary to adjust the proportion of the members who are concurrently responsible for business execution and the members who are not.

Sakumiya: At UACJ, outside directors are provided with very comprehensive documents and information, so we can get a full picture of its operations and financial situation. On the other hand, if we consider the role of outside directors as supervising management on behalf of shareholders, instead of taking into account all of that detailed information, we need to make decisions from a broader perspective. Because we also have experience in management, we may be inclined to get deeply involved in it, which creates the risk of adopting the stance of managers rather than of shareholders.

Ikeda: Indeed, there are many challenges, but fiscal 2018

is the first year of UACJ's rebirth, so to speak, so we have an opportune time to really accelerate corporate governance reforms. By continuously sharing our views with members of the Board and executive management organizations, I hope we can make UACJ's corporate governance sounder and more transparent.

—Both of you are members of the Nomination and Remuneration Advisory Committee that was established in October last year. What are your views on the committee's activities and what would you like to see going forward?

Ikeda: The committee provides a concrete process for nominating new corporate officers, but to elect really outstanding officers in the future, it is necessary to have a system for grooming and selecting excellent candidates from among the Company's own employees. I would like the committee to examine how effectively UACJ can do that now, and discuss what kind of framework should be put in place if the current system is insufficient.

Sakumiya: To create a management succession plan, the process for grooming corporate officer candidates is essential, so, as you said, we will need a training program for middle management. That means we have to look about 10 years ahead, so we also need to discuss how the entire human resources system should be structured.



Ikeda: When setting up any system for evaluating employees and setting career goals, we must make sure it is up to date with the latest developments. Rather than just following the models used in the past, we need to make such systems more impartial and trustworthy, and incorpo-

rate the most recent innovations in information technology and artificial intelligence.

Sakumiya: I would also add that after reviewing the remuneration system for directors, we made it comply with Japan's Corporate Governance Code, such as by incorporating incentives linked to improving performance over the medium term. Since this system has been put in place, however, I would like the committee to monitor it appropriately, verifying that the system functions properly from hereon and that the incentives for improving performance actually work.

Promoting a more diverse corporate culture and adding value to our businesses

—Finally, what do you think will be UACJ's key challenges in the future?

Ikeda: For UACJ to continuously grow in the global market and raise its corporate value, increasing the diversity of its organizations and corporate culture will be vital. Even if an organization is made up of 100 talented and dedicated members, it will be more dynamic if just one or two members are different in some way. There are times when conflicts arise from diversity, but such conflicts can bring about reforms and innovation if they are converted into positive opportunities. Therefore, we should make the most of the diverse attributes and backgrounds of employees in the future. In Japan, there has been a long tradition of rejecting non-conformists, including in human resources development, but now we need to consider how to foster such individuals.

Sakumiya: For UACJ to be a more attractive company for investors, I think it will be important to refine its technological and product development capabilities, and beat out the competition by supplying high-added-value products and services rather than competing for volume. To accomplish that, in addition to developing new products, UACJ must also enhance its capabilities across the board, including innovations to production processes and business models. Unless we add more value to our businesses and boost profitability, the aluminum industry itself could become less attractive for investors. While bearing that in mind, I would like UACJ to continue focusing on creating more value in the future.

Striving to reduce the Group's environmental load not only at production plants but also through responsible procurement and environmentally friendly products

M Message A message from the executive officer overseeing environmental initiatives



Hiroyuki Fukui
Managing executive officer

Aluminum is regarded as an environmentally friendly metal because it is easy to recycle and, in recent years, increasingly expected to be a useful material for reducing vehicle weight as automakers comply with stricter environmental regulations. With demand for aluminum on the rise, the UACJ Group is focusing on supplying a wide range of aluminum materials and products by leveraging its entire group-wide network of operations, including R&D facilities. These activities have been designated as priority measures under our mid-term management plan launched in April 2018.

Over the past few years, we have initiated various environmental measures in our manufacturing operations. For example, a group company in the United States recently began operating a new furnace for melting scrap aluminum at its factory, enabling most of the can stock it manufactures to be made of recycled aluminum.

As a world-class aluminum manufacturer, the UACJ Group intends to continue making the most of aluminum's diverse properties to help reduce environmental burden and contribute to society through its manufacturing processes and products.

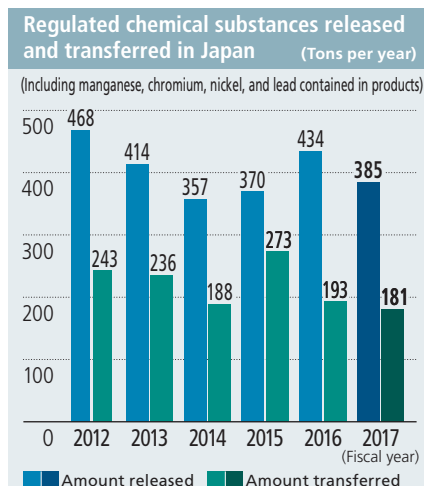
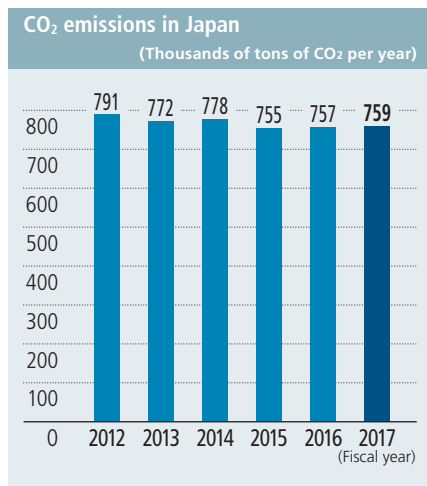
Considering the environment at the manufacturing stage

In accordance with its basic environmental policies for reducing CO₂ emissions and controlling chemical substances, the entire UACJ Group makes active efforts to reduce its burden on the environment, pursuing targets set every year for important environmental indicators. The Group's environmental load is particularly substantial at the manufacturing stage, so group-wide initiatives along with independent measures at each

production plant are actively carried out each year.

Measures for fighting global warming

Although the UACJ Group's operations do not include aluminum smelting, which consumes vast amounts of electricity, a substantial amount of electricity is consumed by its main business of flat-rolled aluminum production, accounting for much of the total environmental load of manufacturing operations. Therefore, the Group has been carrying out measures for reducing energy consumption at each of its production plants, including initiatives



Scope of operations covered: UACJ Corporation (Nagoya Works, Fukui Works, Fukaya Works, and Nikko Works), UACJ Color Aluminum Corporation, UACJ Extrusion Nagoya Corporation (Nagoya Works and Anjo Works), UACJ Extrusion Oyama Corporation, UACJ Extrusion Gunma Corporation, UACJ Extrusion Shiga Corporation, UACJ Foundry & Forging Corporation, UACJ Foil Corporation (Shiga Works, Nogi Works, and Isesaki Works), and UACJ Copper Tube Corporation



for raising efficiency and switching to cleaner fuels. Despite such efforts, total CO₂ emissions and emissions per ton of aluminum in Japan were higher in fiscal 2017 than in the previous fiscal year*, mainly due to a year-on-year increase in production volume.

Measures for preventing discharge of hazardous chemical substances

In addition to complying with legal requirements related to the discharge of hazardous chemical substances in manufacturing processes, UACJ enforces its own standards that are even stricter than such laws. It also works to reduce the use of chemical substances regulated under Japan's Law Concerning the Pollutant Release and Transfer Register, and properly monitors and reports on those substances in accordance with the law.

Regrettably, certain chemical substances in wastewater were found to exceed legal limits at a factory operated by UACJ Copper Tube Corporation in fiscal 2017. The excessive levels did not affect the nearby river, and were caused by consumption of carbon dioxide underwater by algae growing in a pond. Measures have been taken to limit the growth of the algae in order to prevent a recurrence of this problem.

Reducing waste matter from manufacturing operations

UACJ strives to reduce waste matter from its manufacturing operations with the goal of practically eliminating waste sent to landfills. At its production plants, which generate particularly large amounts of waste matter, waste management subcommittees have been set up to share information on effective methods for reducing and processing waste. In fiscal 2017, UACJ's main production plants in Japan succeeded in reducing the amount of waste matter compared with the previous fiscal year.

* Based on a fixed rate of emissions from electrical power generation

TOPIC

Recycling furnace brought online to help reduce environmental burden

In the United States, the world's biggest consumer of beverage cans, Tri-Arrows Aluminum Inc. manufactures flat-rolled aluminum for can stock at its Logan Mill, and recycled aluminum accounts for about 80% of the raw materials it uses to produce the can stock. Aiming to raise that recycling rate even higher in anticipation of growing global demand for can stock, the company began operating a new furnace for melting scrap aluminum in fiscal 2018, thereby boosting Logan Mill's production capacity of can stock made from recycled aluminum.

Socially responsible procurement with the environment in mind

The UACJ Group strives to procure materials and goods that have comparatively less impact on the environment in accordance with its UACJ Group CSR Procurement Guidelines, which specify how the environment and other issues should be considered across the entire supply chain. Moreover, in compliance with ISO 14001 standards, the Group requires suppliers of raw materials and secondary materials to confirm whether such materials contain regulated chemical substances and provide evidence that such substances are not used. If materials contain such substances, the Group makes efforts to switch to alternative materials containing smaller amounts. It has also been working to reduce the environmental burden of its administrative operations by cutting down on packaging materials used during shipments and by procuring office supplies that have been certified as environmentally friendly.



UACJ Group CSR Procurement Guidelines

Developing and producing environmentally friendly products

As part of UACJ's future direction, the Group explores ways to help solve environmental issues through its products. One way is to supply aluminum materials that feature the same functions as conventional products but are lighter in weight. That allows automakers, for example, to reduce the weight of their vehicles, which improves fuel efficiency and helps reduce CO₂ emissions. At the product finishing stage, the Group has been switching to cleaning solutions and coatings that are easier on the environment in order to improve the environmental friendliness of its products, such as colored aluminum and flat-rolled aluminum for can stock. Furthermore, it takes advantage of the diverse properties of aluminum to develop products that contribute to a lighter environmental load.

Objectives of improving products

| Product development and innovations | Benefits to the environment and society |
|--|---|
| Develop and produce good-quality recycled aluminum for can stock | Reduce the volume of new can stock to save resources and cut costs |
| Develop and produce high-performance heat exchanger pipes | Improve the performance of heat exchangers so they can be made more compact to save resources |
| Develop and improve aluminum materials for automobile air conditioners to comply with the European requirement to use CO ₂ as a refrigerant | Promote the adoption of CO ₂ as a refrigerant to help fight global warming |
| Develop and improve aluminum materials for hybrid vehicles | Save resources and improve fuel economy by helping make vehicles lighter in weight |

Striving to earn the trust and meet the expectations of stakeholders to be a corporate group that benefits communities worldwide

M A message from the executive officer overseeing social initiatives Message



Yukihiro Kuwamoto
Executive officer

Marking its fifth anniversary in 2018, UACJ has expanded its operations over the past five years by establishing and acquiring companies in the United States and Thailand. As a result, the UACJ Group's employees have become more diverse overall. Meanwhile, transferring skills to the next generation of workers and drastically reforming working conditions have emerged as serious issues in Japan, making it important for us to improve our workplace environment.

In response to these developments, UACJ has launched two new initiatives for its employees. One is a project for reforming our workplaces in Japan. Targeting almost all types of operations, the project is aimed at helping employees become more productive while maintaining a healthy work-life balance with plenty of rest time. The second initiative is the UACJ Way campaign. The UACJ Way is a set of principles of conduct for every employee to follow and value. We are promoting it group-wide to foster a sense of unity among all members so that we can realize the future direction envisioned by UACJ. By carrying out these initiatives, we hope to be a group of companies that meets the expectations of our employees as well as the Group's many stakeholders around the world.

Initiatives for customers

Maintaining strict quality control

As stated in its Basic Product Quality Policy, the UACJ Group aims to offer products and services that earn the satisfaction and trust of customers. On that basis, it formulates a group-wide quality control plan every fiscal year, specifying goals for product quality and important measures to execute. For the Group as a whole to raise quality in line with those plans and goals, quality control departments in each business segment work closely together with technical departments responsible for group-wide quality control. Furthermore, rigorous inspections are conducted at every production plant by experienced personnel using state-of-the-art testing and inspection equipment.



Ensuring a stable supply in the event of a disaster

UACJ recognizes that it has a vital social responsibility to maintain a stable supply of products even in the event of a serious disaster affecting its production plants, such as a major earthquake or outbreak of a new strain of influenza. Accordingly, it has established a business continuity plan for enabling the Group to continue providing products and services in the time of an emergency or, if that is not possible, to resume those activities as soon as possible.

Based on the plan, UACJ has put systems in place for preventing secondary disasters in order to reduce further damage and promptly resume business activities. They include an emergency communications network and a system for confirming the safety of employees, through which the status of affected workplaces can be quickly and accurately reported, enabling the delivery of necessary support and relief supplies.

In addition, UACJ has set standard group-wide procedures for handling a case of a serious product defect, which include sharing relevant information throughout the Group and responding immediately. Information about past defects is also utilized for the purpose of preventing recurrences in the future.



Improving customer satisfaction

The vital importance of product quality for customer satisfaction is recognized in UACJ's management philosophy and basic policies on product quality. Accordingly, UACJ regularly conducts customer satisfaction surveys and obtains feedback directly from customers with a view to continuously improving product quality. UACJ also invites customers to contact the Company directly via its corporate websites, and promptly responds with detailed answers to technical questions as well as product orders and document requests. Such online enquires number around 200 annually, with 20% to 30% coming from outside Japan. Through all of these means, UACJ intends to continue engaging with customers and incorporate their feedback in new product development and quality improvements going forward.



Support for employees

Promoting diversity

UACJ expanded its operations internationally over the past five years, so now employees with various nationalities, cultural backgrounds, and languages are members of the Group. Therefore, UACJ is promoting a corporate culture that embraces diversity while allowing every employee to realize his or her potential. The spirit of diversity is expressed in the UACJ Way, which is being promoted at every workplace worldwide as a set of principles of conduct for employees to value in their work and everyday life.

Measures for keeping factories safe

UACJ has put an occupational health and safety management system in place at its four main production plants in Japan, through which measures are being carried out with the goal of completely eliminating workplace accidents. Health and safety training is also provided to employees and managers in order to raise each worker's awareness of safety on the job. In fiscal 2017, a total of 20 accidents occurred at the four plants, which amounts to a frequency of 1.39 accidents per million work hours. The frequency of accidents requiring employees to take time off work was 0.76 per million work hours.

TOPIC

Workplace reform project launched with the goal of enhancing efficiency

In fiscal 2017, UACJ launched a workplace reform project with the goals of making its workplaces more efficient as well as more positive and enjoyable places to work. The reforms have been designed to promote an optimal work-life balance by limiting working hours to eight hours daily, giving employees more time to spend at home, pursue hobbies and education, and get enough rest. The changes apply to all types of employees in every division of the Company, including sales, administration, R&D, and factory-support departments.



Leaders of the workplace reform project

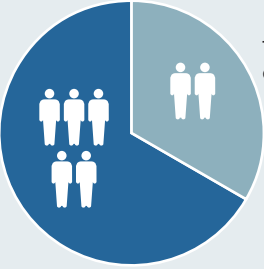
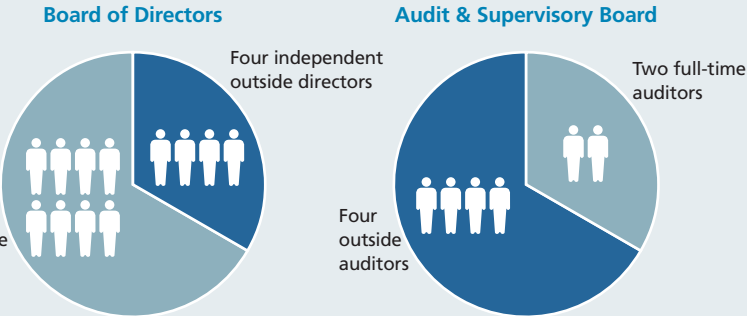
Community engagement

The places where the Group conducts business and its employees live are regarded as especially important communities for UACJ. On that basis, all group companies strive to forge strong bonds with members of their communities as good corporate citizens. Particularly in places where workplaces are located, employees make active efforts to participate in local events, provide support for education, and volunteer in community activities. For example, employees of Tri-Arrows Aluminum regularly offer support for charitable activities in Louisville, Kentucky, by helping charity groups collect donations.



Enhancing corporate governance while giving importance to diverse perspectives in management

Steps to strengthen corporate governance since UACJ's establishment

| Year | UACJ's plans and goals | Measures to enhance governance |
|------|--|---|
| 2013 | UACJ established | Appointed an outside director |
| 2014 | Vision for the Future created | Promoted non-Japanese nationals to executive officer positions |
| 2015 | Major policies of fiscal 2015 – 2017 mid-term management plan: •Expand into the growing automotive and energy industries while bolstering operations in growth regions •Organize optimized manufacturing operations in each business and facilitate the integration of technologies •Develop new technologies and products | Nominated a female outside director |
| 2016 | | Commenced efficacy evaluations of the Board of Directors |
| 2017 | Major policies of fiscal 2018 – 2020 mid-term management plan: •Continue focusing on the growing automotive industry and growth markets in Asia and North America •Steadily generate returns on past investments •Increase capital efficiency with an emphasis on ROIC •Promote shared principles of conduct as the UACJ Way | Established the Nomination and Remuneration Advisory Committee  <p>Two representative directors</p> <p>Four independent outside directors or auditors</p> <p>Over half of the committee made up of independent outside directors or auditors (as of October 30, 2017)</p> |
| 2018 | | Increased the number of outside directors and auditors  <p>Board of Directors Four independent outside directors</p> <p>Eight executive officers</p> <p>Independent outside directors comprise one-third of members</p> <p>Audit & Supervisory Board Two full-time auditors</p> <p>Four outside auditors</p> <p>Outside auditors comprise two-thirds of members</p> |

Framework for corporate governance

UACJ' s corporate governance system

UACJ has divided the responsibilities of its Board of Directors into a management decision-making and supervisory function together with a business execution function for the purpose of improving the Board's efficacy and ensuring that its decisions are carried out promptly. Meetings of the Board of Directors are held monthly and attended by 12 directors and all six members of the Audit & Supervisory Board. In the meetings, the Company's operational status is reported on and important management issues are examined and deliberated in compliance with the Company's articles of incorporation and internal rules as well as relevant laws and regulations.

In an effort to ensure that its decision-making role is effectively performed, the Board of Directors increased the number of outside directors from two to four effective from June 2018. The two newly appointed outside directors have corporate management experience as former company directors, while the two others have been offering impartial views drawing from their extensive academic experience as university professors.

In addition, executive officers (including directors concurrently holding this position) and full-time members of the Audit & Supervisory Board attend a monthly executive management meeting, in which they examine and deliberate on important issues concerning management. Officers in charge

of business execution strive to reach consensus in the meetings in order to strictly manage business affairs.

UACJ has adopted an audit and supervisory board system. Under this system, its Audit & Supervisory Board supervises the duties performed by directors in accordance with corporate auditing standards and the Company's auditing policies and plans, serving as an independent organization with an important role in corporate governance. Half of the Audit & Supervisory Board's six members have expertise in finance and accounting. Meetings are held monthly, in which full-time auditors present the results of periodic audit reports and engage in comprehensive discussions with the outside auditors.

Corporate officer training programs

UACJ provides various training programs at the time directors and auditors are newly appointed and during their terms of office in order to prepare them for properly carrying out their duties. Training for the newly appointed corporate officers is designed to ensure that they comprehend their roles and responsibilities. Those who are outside officers are given tours of production plants, including facilities outside Japan, and invited to attend various committee meetings and information sessions in order to gain a full understanding of the Group's operations, financial affairs, and organizational structure. During their terms of office, directors and auditors are given opportunities to learn more about corporate governance and discuss challenges facing the Group, as well as individual training depending on their respective expertise, experience, and skills.

Evaluating the efficacy of the Board of Directors

As a means to evaluate the efficacy of the Board of Directors, a questionnaire concerning its composition and functioning is distributed every year to each director and auditor serving on the Board. The results of the questionnaire are discussed by the Board and improvements are carried out on that basis.

The evaluation covers the following four main areas: the Board's size and composition, functioning and organization, decision-making processes, and quality of deliberations by its members.

Summary of evaluation results in fiscal 2017

Based on the evaluation results in fiscal 2017, the size and diversity of the Board of Directors was considered to be suitable, and the composition of its members was deemed to be balanced overall. Moreover, the Board's functioning was

considered to be reasonable and its organization effective for supervising management. The results also confirmed that discussions and deliberations were conducted in a constructive and open manner, including in preparatory discussions held prior to meetings of the Board.

Nevertheless, the results also pointed to the need for improvements going forward. Accordingly, the Board of Directors plans to revise its debating and reporting procedures as a means to enhance deliberations and strengthen its supervisory functions, and engage in more rigorous debates concerning management strategies and other important matters. It will also ensure that outside members are provided with more substantial explanations prior to meetings and materials relevant for corporate governance.

By making use of evaluation results every year, the Board of Directors has improved its functioning and raised the level of its deliberations on matters that are vital for accelerating the UACJ Group's global expansion and achieving continuous growth.

Process of nominating directors

Candidates for directors and other executive management positions are evaluated by the Nomination and Remuneration Advisory Committee based on their respective career background, positions, qualifications and capabilities, and the most suitable candidates are selected by the Board of Directors. Candidates for independent outside officers, in particular, are expected to be able to actively and directly contribute to constructive discussions in meetings of the Board, while taking into account the rules set by the Tokyo Stock Exchange and the interest of the Company. As of the publication date of this report, four independent outside directors serve on the Board of Directors, one of whom is a woman and two of whom have corporate management experience. The Board intends to further consider its diversity and size in the future with a view to maintaining an optimal balance of expertise, experience, and capabilities among its membership as a whole.

TOPIC 1

Nomination and Remuneration Advisory Committee established

For the purpose of enhancing corporate governance and increasing the impartiality and transparency of the decision-making process for nominating and remunerating directors and executive officers, UACJ established its Nomination and Remuneration Advisory Committee on October 30, 2017, as an advisory body to the Board of Directors. The committee deliberates on enquiries it receives relating to the nomination and remuneration of directors and executive officers, and reports the conclusions of such deliberations to the Board of Directors. The committee is made up of seven members in total, with an independent outside director serving as chairperson. The remaining six members are comprised of three independent outside directors, two full-time directors, and one independent outside auditor from the Audit & Supervisory Board.

Rationale for selecting outside directors and auditors

| Position | Name | Rationale for selection |
|------------------|-------------------|--|
| Outside director | Toshio Suzuki | Toshio Suzuki was invited to serve as an outside director based on the judgement that he could properly perform the required duties while offering objective viewpoints given his extensive academic background as a university professor emeritus. Mr. Suzuki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| | Ryoko Sugiyama | Ryoko Sugiyama was invited to serve as an outside director based on the judgement that she could properly perform the required duties given her extensive background as a university professor and experience as a company director. Ms. Sugiyama was appointed after it was determined she was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| | Takahiro Ikeda | Takahiro Ikeda was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his experience as a director at a major chemical manufacturer and long career in corporate management. Mr. Ikeda was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| | Akio Sakumiya | Akio Sakumiya was invited to serve as an outside director based on the judgement that he could properly perform the required duties given his corporate management experience as an executive vice president of a major electrical appliance manufacturer and extensive background in corporate governance, including positions of vice-chairperson of several committees involved in the remuneration and affairs of company directors and other personnel. Mr. Sakumiya was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| Outside auditor | Akari Asano | Akari Asano was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his expertise and experience in executive corporate management and as a general manager of a company division. Mr. Asano was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| | Yuki Iriyama | Yuki Iriyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while drawing on his advanced legal expertise as a lawyer specializing in corporate law, and given his extensive experience in corporate management, including a position of managing director at a major steel manufacturer. |
| | Hiroyuki Yamasaki | Hiroyuki Yamasaki was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties given his extensive background in finance and accounting as a certified public accountant specializing in corporate accounting. Mr. Yamasaki was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |
| | Yoshiro Motoyama | Yoshiro Motoyama was invited to serve as an outside auditor based on the judgement that he could properly perform the required duties while making use of the broad outlook he has gained over his career and given his extensive experience in corporate management, including a position of executive vice-president of a major automobile manufacturer. Mr. Motoyama was appointed after it was determined he was not in a position that would give rise to a conflict of interest with the Company's shareholders. |

Remuneration of corporate officers

UACJ's remuneration system for corporate officers has been designed to give directors incentives to work towards raising corporate value and improving the Company's financial results over the medium to long terms, and to help ensure that profits are generated sustainably so that the UACJ Group can contribute to society at large through dependable and sound business expansion, thereby meeting the expectations of its wide array of stakeholders. Based on that approach, the Board of Directors makes decisions on specific remuneration plans and the system's execution in accordance with reports submitted by the Nomination and Remuneration Advisory Committee in order to ensure the system functions properly and to improve the impartiality and transparency of such decisions.

T O P I C 2

New remuneration system for directors established

UACJ established a new remuneration system for directors after gaining approval at its 5th Annual General Meeting of Shareholders held on June 21, 2018. The new system was put in place as a means to further motivate corporate officers to achieve the Company's performance targets and to align their interests with shareholders as an incentive to raise shareholder value.

Under the system, full-time directors receive a fixed base salary, short-term performance-based compensation linked to the achievement level of financial targets for the fiscal year, and mid-term performance-based compensation linked to the achievement level of financial targets over a multiple year period. Outside directors, who serve on a part-time basis, receive a fixed base salary only since their primary responsibility is to supervise operations from an impartial and independent standpoint.

The performance-based compensation is linked to the achievement of financial targets for the key performance indicators of management strategies, including adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) as well as return on invested capital (ROIC), which was adopted under the new mid-term management plan that commenced in fiscal 2018. A performance share unit plan was adopted for the mid-term performance-based compensation as a means to align the interests of directors with those of shareholders. The full-time directors are remunerated with common shares and a monetary amount equivalent to the achievement level of consolidated financial results over a mid-term period.

Promoting constructive dialogues with shareholders

Relations with shareholders and investors are taken very seriously at UACJ. Accordingly, a dedicated Public and Investor Relations Department has been established and a director is appointed to oversee its activities. The department organizes meetings and teleconferences on financial results for shareholders and investors every fiscal quarter, and arranges one-on-one meetings and group sessions with the president when required. Factory tours for shareholders are also organized twice annually to give them a first-hand look at manufacturing operations. As a basic policy, management also holds meetings with investors in North America, Europe, and Asia every year.

Looking ahead, UACJ plans to organize presentations specifically for individual investors in order to create more opportunities to engage with them. It will also continue providing useful and timely information for shareholders by publishing its integrated report every year and disclosing news and updates on its websites. The Company's Japanese website has been highly evaluated for its quality, indicated by its ranking of fourth in 2017 and eighth in 2016 in the All Japanese Listed Companies' Website Ranking published by Nikko Investor Relations Co., Ltd.



Factory tours for shareholders



At Fukui Works, shareholders see the quality of UACJ's products up close while observing aluminum coils.

At Nagoya Works, shareholders receive explanations of how UACJ's products are used in a model car in the showroom.



Directors

**Miyuki Ishihara**

Representative Director & President
Overall management

Attended 14 of 14 Board of Directors meetings

Apr. 1981 Joined Sumitomo Light Metal Industries, Ltd.
Oct. 2012 Executive Officer
Oct. 2013 Executive Officer, UACJ Corporation
Jun. 2015 Director, Member of the Board,
Executive Officer
Apr. 2017 Director, Member of the Board,
Managing Executive Officer
Apr. 2018 Director, Member of the Board
Jun. 2018 Representative Director & President (Current)

**Takayoshi Nakano**

Representative Director, Member of the Board,
Senior Managing Executive
Officer In charge of Global
Business Strategy Department
and Public and Investor Relations
Department

Attended 14 of 14 Board
of Directors meetings

Apr. 1978 Joined Nippon Steel Corporation (now Nippon
Steel & Sumitomo Metal Corporation)
Apr. 2004 Manager, European Office
Jun. 2009 Advisor, Furukawa-Sky Aluminum Corp.
Jun. 2010 Director
Jun. 2012 Managing Director
Jun. 2013 Director and Managing Executive Officer
Oct. 2013 Director, Member of the Board Managing
Executive Officer, UACJ Corporation
Apr. 2015 Director, Member of the Board Senior
Managing Executive Officer
Jun. 2018 Representative Director, Member of the
Board, Senior Managing Executive Officer
(Current)

**Mizuho Taneoka**

Representative Director, Member of the Board,
Senior Managing Executive
Officer Delegated Chief Executive,
Flat Rolled Products Division

Attended 11 of 11 Board of Directors
meetings (number held since being
appointed director)

Apr. 1980 Joined Sumitomo Corporation
Sep. 2010 Joined Sumitomo Light Metal Industries, Ltd.
Oct. 2012 Executive Officer
Oct. 2013 Executive Officer, UACJ Corporation
Apr. 2017 Managing Executive Officer
Jun. 2017 Director, Member of the Board,
Managing Executive Officer
Jun. 2018 Representative Director, Member of the
Board, Senior Managing Executive Officer
(Current)

**Kazuhisa Shibue**

Director, Member of the Board,
Senior Managing Executive Officer
Delegated Chief Executive, Research &
Development Division In charge of
Information Technology Department
and Engineering Department

Attended 14 of 14 Board
of Directors meetings

Apr. 1980 Joined Sumitomo Light Metal Industries, Ltd.
Apr. 2010 Executive Officer
Oct. 2013 Managing Executive Officer,
UACJ Corporation
Jun. 2014 Director, Member of the Board
Managing Executive Officer
Apr. 2017 Director, Member of the Board, Senior
Managing Executive Officer (Current)

**Kiyoshi Tanaka**

Director, Member of the Board,
Managing Executive Officer
Member of the Board, President
of UACJ Extrusion Corporation

Attended 13 of 14 Board
of Directors meetings

Apr. 1981 Joined Furukawa Electric Co., Ltd.
Jun. 2010 Director, Furukawa-Sky Aluminum Corp.
Jun. 2013 Director and Managing Executive Officer
Oct. 2013 Director, Member of the Board Managing
Executive Officer, UACJ Corporation
(Current), Member of the Board, President of
UACJ Extrusion Corporation (Current)

**Masahiro Teshima**

Director, Member of the Board,
Managing Executive Officer
Delegated Vice Chief Executive,
Flat Rolled Products Division
In charge of Sales and Marketing

Attended 11 of 11 Board of Directors
meetings (number held since being
appointed director)

Apr. 1982 Joined Sumitomo Light Metal Industries, Ltd.
Apr. 2014 Executive Officer, UACJ Corporation
Apr. 2017 Managing Executive Officer
Jun. 2017 Director, Member of the Board
Managing Executive Officer (Current)

**Katsuyasu Niibori**

Director, Member of the Board,
Managing Executive Officer
Member of the Board, President
& CEO, UACJ Foil Corporation

Newly appointed (in June 2018)

Apr. 1982 Joined Furukawa Electric Co., Ltd.
Jun. 2012 Director, Furukawa-Sky Aluminum Corp.
Jun. 2013 Executive Officer
Oct. 2013 Executive Officer, UACJ Corporation
Apr. 2015 Executive Officer, UACJ Corporation, Advisor
to UACJ Foil Corporation
Jun. 2015 Executive Officer, UACJ Corporation,
Member of the Board, President & CEO,
UACJ Foil Corporation
Apr. 2017 Managing Executive Officer, UACJ
Corporation, Member of the Board, President
& CEO, UACJ Foil Corporation
Jun. 2018 Director, Member of the Board, Managing
Executive Officer (Current), Member of the
Board, President & CEO, UACJ Foil
Corporation (Current)

**Akito Imaizumi**

Director, Member of the Board,
Executive Officer
In charge of Corporate Planning
Department and Finance
and Accounting Department

Newly appointed (in June 2018)

Apr. 1983 Joined Sumitomo Light Metal Industries, Ltd.
Apr. 2014 Executive Officer, UACJ Corporation
Jun. 2018 Director, Member of the Board,
Executive Officer (Current)

■ Outside Members of the Board



Toshio Suzuki
 Director, Member of the Board
 (outside and part-time)
 Attended 14 of 14 Board
 of Directors meetings

Apr. 1988 Assistant Professor, University of Tokyo
 Jun. 1994 Professor
 Apr. 1995 Professor of Graduate School
 Mar. 2012 Retirement
 Jun. 2012 Professor Emeritus, University of Tokyo
 (Current)
 Oct. 2013 Director, Member of the Board (outside and
 part-time), UACJ Corporation (Current)



Ryoko Sugiyama
 Director, Member of the Board
 (outside and part-time)
 Attended 12 of 14 Board
 of Directors meetings

May 1996 Director, Sugiyama & Kurihara Environmental
 Consultants, Inc.
 Dec. 1997 Director, Gifu Shimbun
 Dec. 1999 Director, Gifu Broadcasting System, Inc.
 Apr. 2010 Professor, Fuji Tokoha University
 (currently Tokoha University) Faculty of Social
 and Environmental Studies
 Jun. 2010 Outside Director, Lecip Holdings Corporation
 (Current)
 Jun. 2015 Director, Member of the Board (outside and
 part-time), UACJ Corporation (Current)



Takahiro Ikeda
 Director, Member of the Board
 (outside, part-time)
 Newly appointed (in June 2018)

Apr. 1975 Joined Mitsubishi Kasei Kogyo
 Apr. 2006 Mitsubishi Chemical Executive Officer,
 Deputy General Manager, Polymers Division
 Apr. 2007 Executive Officer, General Manager,
 Chemicals Division
 Jul. 2008 Dia Chemical Co. Ltd., President
 Jun. 2010 Mitsubishi Rayon, Managing Executive Officer
 Apr. 2013 Director and Managing Executive Officer
 Mar. 2015 Advisor
 Mar. 2016 Stepped down as Advisor
 Apr. 2016 Itochu Chemical Frontier Corporation,
 Executive Advisor
 May 2017 T.I. Associates, Representative Director
 (Current)
 Jun. 2018 Director, Member of the Board (outside and
 part-time), UACJ Corporation (Current)



Akio Sakumiya
 Director, Member of the Board
 (outside, part-time)
 Newly appointed (in June 2018)

Apr. 1975 Joined Tateisi Electric Manufacturing Co.
 (now OMRON Corporation)
 Jun. 2003 Executive Officer, General Manager of
 Amusement Equipment Business, and
 President and CEO of OMRON Ichinomiya Co.,
 Ltd. (now OMRON Amusement Co., Ltd.)
 Apr. 2009 Executive Officer and President of Electronic
 Components Business Company
 Jun. 2010 Managing Executive Officer and President of
 Electronic and Mechanical Components
 business Company
 Jun. 2011 Senior Managing Director
 Jun. 2014 Executive Vice President
 Mar. 2018 Outside Audit & Supervisory Board Member,
 Asahi Glass Co., Ltd. (Current)
 Jun. 2018 Director, Member of the Board (outside and
 part-time), UACJ Corporation (Current)

Audit & Supervisory Board Members



Hisashi Hasegawa
Audit & Supervisory Board Member

Attended 14 of 14 Board of Directors meetings

Apr. 1980 Joined Furukawa Electric Co., Ltd.
Jun. 2009 Director and General Manager, Finance and Accounting Dept., Furukawa-Sky Aluminum Corp.
Jun. 2012 Managing Director
Jun. 2013 Managing Executive Officer
Oct. 2013 Managing Executive Officer, UACJ Corporation
Jun. 2015 Director, Member of the Board Managing Executive Officer
Apr. 2018 Director, Member of the Board
Jun. 2018 Audit & Supervisory Board Member (Current)



Nobuhiro Ishihara
Audit & Supervisory Board Member

Attended 14 of 14 Board of Directors meetings

Apr. 1980 Joined Furukawa Electric Co., Ltd.
Oct. 2003 General Manager, General Affairs Dpt., Fukui Works, Rolled Products Div., Furukawa-Sky Aluminum Corp.
Jun. 2004 General Manager, General Affairs Div., Nuclear Fuel Industries, Ltd.
Jun. 2008 Director and General Manager, General Affairs Dept.
May 2009 Executive Officer and General Manager, General Affairs Dept.
Jun. 2010 Full-time Statutory Auditor, Furukawa-Sky Aluminum Corp.
Oct. 2013 Audit & Supervisory Board Member, UACJ Corporation (Current)

Outside Audit & Supervisory Board Members



Akari Asano
Audit & Supervisory Board Member (outside, part-time)

Attended 14 of 14 Board of Directors meetings

Apr. 1970 Joined Mitsubishi Rayon co., Ltd.
Jun. 2003 General Manager, General Affairs Department
Jun. 2004 Senior Director
Jun. 2008 Resigned from Mitsubishi Rayon co., Ltd.
Jun. 2009 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd.
Jun. 2013 Statutory Auditor (outside and part-time) of Sumitomo Light Metal Industries, Ltd., Statutory Auditor (outside and part-time), Furukawa-Sky Aluminum Corp.
Oct. 2013 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



Yuki Iriyama
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Apr. 1970 Joined Nippon Steel Corporation (now Nippon Steel & Sumitomo Metal Corporation)
May 1977 Graduated from the College of Europe (a graduate school in Belgium)
Jun. 2002 Director, Manager of the Board and General Manager of Overseas Business Development Division
Jun. 2006 Managing Executive Officer
Jun. 2009 Executive Advisor
Oct. 2012 Standing Advisor, Nippon Steel & Sumitomo Metal Corporation
Jun. 2014 Advisor of Nippon Steel & Sumitomo Metal Corporation (part-time)
Mar. 2015 Counsel of Kajitani Law Offices (Current)
Jun. 2015 Stepped down as advisor (part-time)
May 2017 Director of Vallourec S.A. (France) (Current)
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



Hiroyuki Yamasaki
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Oct. 1982 Joined Chuo Accounting Corporation
Oct. 2005 Director, Chuo Aoyama Audit Corporation
May 2006 Acting Chairman
Nov. 2007 Senior Partner of ShinNihon Audit Corporation (now Ernst & Young ShinNihon LLC)
Aug. 2008 Managing Director of Ernst & Young ShinNihon LLC
Jul. 2013 Auditor of Japan Venture Capital Association
Jul. 2017 President of Hiroyuki Yamasaki CPA Office (Current)
Dec. 2017 Director, Land Business Co., Ltd. (Current)
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)



Yoshiro Motoyama
Audit & Supervisory Board Member (outside, part-time)

Newly appointed (in June 2018)

Apr. 1980 Joined Mitsubishi Motors
Mar. 2014 Director, Vice President, General Manager, Production Division, Mitsubishi Fuso Truck and Bus Corporation
Jan. 2017 Advisor
Aug. 2017 Takenaka Co. Ltd., Director & CTO (Current)
Jun. 2018 Audit & Supervisory Board Member (outside and part-time), UACJ Corporation (Current)

Executive Officers

Hironori Tsuchiya
Senior Managing Executive Officer

Youji Shimizu
Managing Executive Officer

Hiroyuki Fukui
Managing Executive Officer

Yukio Takekawa
Managing Executive Officer

Akinori Yamaguchi
Executive Officer

Teiichi Abe
Executive Officer

Teruo Kawashima
Executive Officer

Masataka Taguchi
Executive Officer

Akira Matsushita
Executive Officer

Kimitoshi Inagaki
Executive Officer

Akinori Yoshida
Executive Officer

Yasuhiro Hosomi
Executive Officer

Takahide Otani
Executive Officer

Yukihiro Kuwamoto
Executive Officer

Satoshi Sugama
Executive Officer

Shinji Tanaka
Executive Officer

Atsushi Sakaue
Executive Officer

Henry Gordinier
Executive Officer