

/ CSR Management

UACJ has established its CSR Committee to address a broad array of social demands. Chaired by the president, the committee's membership also includes UACJ's full-time directors, works managers, the head of its Research & Development Division, the heads of relevant departments, and the presidents of principal Group companies.

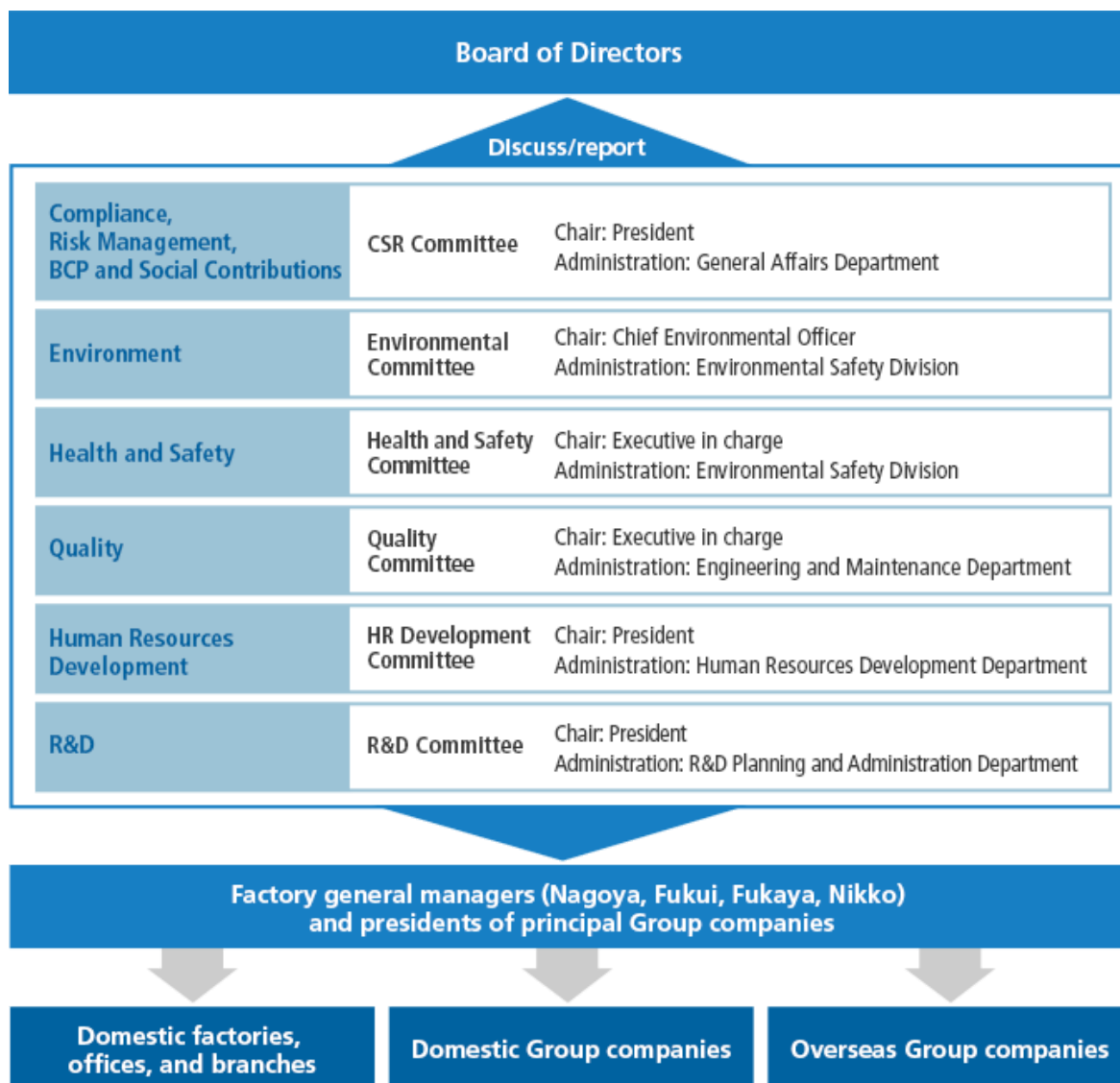
System for Advancing CSR

At UACJ, the CSR Committee, chaired by UACJ's president and with membership consisting of UACJ's full-time directors, works managers, the head of its Research & Development Division, the heads of relevant departments, and the presidents of principal Group companies advances CSR activities throughout the company.

The CSR Committee has historically met annually to deliberate policies and measures on matters concerning all aspects of CSR, compliance, and risk management, and exercises supervision of every fiscal year's activities. Using case studies of compliance violations, and other tools, it also functions as a training venue for executives and managers.

Following the meeting, members of the CSR Committee share the committee's decisions with the units they oversee in an effort that disseminates this information throughout the company. Information on CSR policies and measures is disseminated to affiliates in Japan via the General Affairs Liaison Committee and other channels.

In addition, the Safety and Hygiene Committee, Environmental Committee, Quality Committee, HR Development Committee, and R&D Committee address CSR issues in their respective areas. To further strengthen CSR activities, the CSR Committee has started to meet twice a year beginning with fiscal 2019.



Responsibilities to and Methods for Communicating with Principal Stakeholders

	Key Responsibilities	Communication Methods
Customers	Maintain and improve the quality of products and services Provide products and services that are good for society Use a wide variety of technologies and expertise to solve customers' problems	Dialogue in daily business dealings Website Dialogue through technology exhibits and trade shows Customer satisfaction surveys
Suppliers	Build sound relationships through fair transactions respecting laws and ordinances Fulfill CSRs throughout the supply chain	Dialogue in daily business dealings

	Key Responsibilities	Communication Methods
Environment	<p>Reduce greenhouse gas emissions</p> <p>Promote energy efficiency and recycling</p> <p>Protect biodiversity</p> <p>Reduce industrial waste</p> <p>Manage and reduce harmful chemical substances</p>	<p>Operate within laws and regulations</p> <p>Support the Kyoto Protocol on fighting global warming, the Nagoya Protocol on biodiversity, and other international agreements</p> <p>Support environmental activities advanced by Japan's Ministry of the Environment and others</p>
Investors	<p>Provide appropriate returns</p> <p>Make timely and appropriate disclosures</p> <p>Increase corporate value</p>	<p>General meeting of shareholders</p> <p>Shareholder communications</p> <p>Results briefings</p> <p>Telephone conferences</p> <p>One-on-one meetings</p> <p>Shareholder plant tours</p> <p>Website</p>
Employees	<p>Respect human rights</p> <p>Develop personnel, and provide fair evaluations and compensation</p> <p>Protect worker safety and health (including mental health)</p> <p>Support diverse working styles, and employee efforts to meet work and personal responsibilities</p>	<p>Company Newsletter</p> <p>Intranet</p>
Local Communities	<p>Support sports and cultural activities, and efforts to nurture future generations</p> <p>Participate in and support traditional events</p> <p>Support and work with local and other NPOs</p>	<p>Plant tours</p> <p>Local events</p> <p>Neighborhood clean-up and other social contribution activities by employees</p>

CSR Education and Training

| Implementation of CSR Training for Managers

As awareness of global environmental sustainability has grown throughout the world, corporate social responsibilities have taken on even greater importance. Moreover, with attention focusing on ESG investment, there are changes afoot in the bases upon which corporate value is judged. UACJ has implemented CSR training to properly acknowledge these changes and enhance its CSR activities. In fiscal 2019, the total of 17 participants in this training included the president, executives in charge of CSR, and department and section heads. Through this training, the participants were able to deepen their understanding of recent CSR-related developments, and various topics related to investors, industrial circles, and international society. Going forward, UACJ will continue to identify materiality items* and work to create value that contributes to the resolution of global environmental conservation and social issues.

* Materiality items: Matters that could greatly impact organizational performance as it relates to a company's ongoing growth.

Basic Concept

“The UACJ Group strives to offer products and services deserving of our customers’ satisfaction and trust, and believes that sound and sustainable business development is key to making broad-reaching contributions to society.” This is our management philosophy and living up to it requires strong governance functions and sound, transparent management. Continuously working to ensure strong governance will result in ongoing growth in corporate value and benefit shareholders, customers, suppliers, employees, local communities, and other stakeholders.

Fiscal 2018 Key Objectives and Results

	Fiscal 2018 Objectives	Fiscal 2018 Results	Assessment	Fiscal 2019 Objectives
Strengthen Corporate Governance	Continue compliance with Japan's Corporate Governance Code	Took timely, appropriate steps based on discussions with internal and external experts to maintain compliance with the code, including changes and additions	○	Continue efforts to strengthen governance
Highlight Compliance	Enhance code of conduct training	Conducted training at 56 companies inside and outside Japan Published English-language training materials	○	Continue training-enhancement efforts Publish Thai-language training materials
	Promotion of proper adherence to rules for reporting compliance problems	Used CSR Committee meetings, Group liaison meetings, and other occasions to promote understanding and proper adherence to reporting rules	○	Continue to promote proper adherence to reporting rules
	Enhance understanding of, and faith in, the internal reporting system	Used CSR Committee meetings, Group liaison meetings, code of conduct training, and other occasions to promote proper understanding and use of the internal reporting system	○	<ul style="list-style-type: none"> · Formally establish and implement the Group's internal reporting rules · Establish a common reporting system for company executives and rank-and-file employees of Group companies inside and outside Japan

	Fiscal 2018 Objectives	Fiscal 2018 Results	Assessment	Fiscal 2019 Objectives
Highlight Compliance	Continue training on the Antimonopoly Law, bribery laws, the Subcontract Act, and other laws and regulations	<ul style="list-style-type: none"> Formulated common basic policies, rules, and guidelines (country-by-country basis for bribery) for the Group on compliance with competition and bribery laws and regulations in various countries, and began application in Group companies located in Japan Surveyed Group companies in Japan on their compliance with the Subcontract Act 	○	<ul style="list-style-type: none"> Begin application of the Group's common basic policies, rules, and guidelines at Group companies outside Japan Based on Subcontract Act compliance survey results, begin Subcontract Act compliance training at Group companies in Japan
	Begin training on Japan's revised Personal Information Protection Law and the EU's GDPR	<ul style="list-style-type: none"> Established privacy policies and rules for GDPR compliance Entered into data transfer agreements with European affiliates 	○	<ul style="list-style-type: none"> Confirm status of legal and regulatory compliance Investigate laws and regulations in specific countries
Promote Risk Management	Continue companywide risk management activities	Based on risk management activities taken to date at UACJ, considered factors such as results of executive interviews and surveys, and changes in externalities, and selected three high-priority risks for fiscal 2019. Designated risk owners and created a system in which they advance risk management measures.	○	<p>For fiscal 2019, get a fresh start by establishing three new objectives and working to achieve them.</p> <ol style="list-style-type: none"> Revamp the Group risk management system Implement risk management for all of the Group's businesses Advance PDCA management for high-priority risks
	Consider expanding risk management activities to Group companies in Japan	Developed Group risk management plans covering not only Group companies in Japan but also those overseas	△	
	Revamp the risk management system	Considered the nature of the companywide risk management administrative function and then established a new risk management group within the Legal Affairs Department in fiscal 2019. Resolved to move forward with risk management strengthening initiatives.	○	
	Develop a BCP system	Based on an assessment of the Nagoya Works' BCP (Business Continuity Plan), created a format for expanding BCP preparation to other works	○	

	Fiscal 2018 Objectives	Fiscal 2018 Results	Assessment	Fiscal 2019 Objectives
Promote Risk Management	Perform a BCP assessment and use the results to make revisions	Assessed the Nagoya Works' BCP and developed overall directions for operations	○	Expand BCM (Business Continuity Management) along the lines of the format developed for expanding BCP development to other works

Looking toward the Future

UACJ has continuously strengthened its governance by carefully considering how to apply the Corporate Governance Code and its revisions to our own governance systems. Going forward, we will engage in discussions with relevant parties as we undertake Board of Directors effectiveness evaluations and other governance-strengthening measures, proceed with system revisions and improvements, and strive to further strengthen our overall governance functions.

/ Corporate Governance

UACJ is working to enhance its corporate governance to earn and maintain the trust of all of our stakeholders and increase our corporate value.

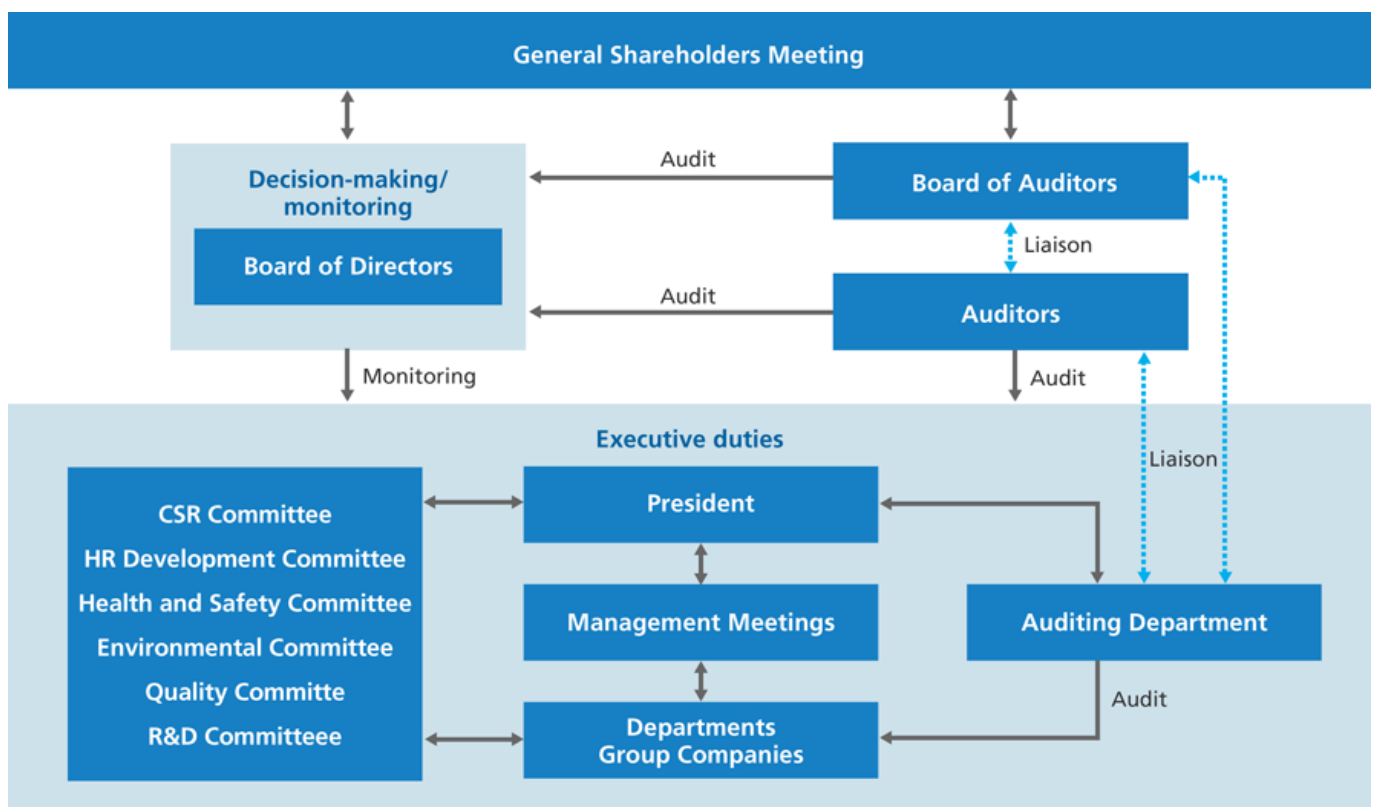
Basic Ideas on Corporate Governance

The UACJ Group believes that corporate governance is the basic framework for managing a company amid relationships with shareholders, customers, suppliers, employees, local communities, and all other stakeholders. Our duty is to benefit stakeholders by developing products, technologies, and services that are useful to society and incorporate abundant consideration for safety, and offering them to the market in an effort to continuously increase our corporate value. Toward that end, we strive to ensure proper disclosure of financial and management information, a strong sense of corporate ethics, strict compliance practices, and thorough risk management. Strengthening the functions of the Board of Directors to maintain a solid management oversight structure, and enhancing Audit & Supervisory Board functions, are key to these efforts.

Corporate Governance System

UACJ has adopted a new executive officer system that separates management decision making from the audit and operations functions. This new system both strengthens the Board of Directors functions and increases the speed with which we execute operations.

Corporate Governance System



| Compliance with the Corporate Governance Code

UACJ is striving to enhance its corporate governance in line with the aims of Japan's Corporate Governance Code. Disclosures concerning the eleven fundamental and supplementary principles on disclosures sought by the Tokyo Stock Exchange are provided in the Corporate Governance Report.

UACJ will continue to strengthen its corporate governance, while taking into account factors such as changes in its business environment.

Nomination and Appointment of Officers

The appointment of Directors and other officers at UACJ begins with the Nomination & Remuneration Advisory Committee reviewing candidates by evaluating their professional experience, positions held, qualifications, special capabilities, and other factors before making recommendations to the Board of Directors, which then decides which candidates are the best fit for the Company.

Concerning the appointment of independent outside Directors, in particular, candidates are selected based on considerations of factors such as possible conflicts of interest with the Company, and potential for actively making straightforward, constructive contributions to discussions in meetings of the Board of Directors. These considerations are based on standards established by the Tokyo Stock Exchange and UACJ's own standards on independence. UACJ's Board of Directors currently includes four independent outside Directors. One is a woman and three have corporate management experience. Going forward, UACJ will strive to maintain a diverse Board of Directors that has a strong balance of knowledge, experience, and capabilities, and is of the right size for the Company.

| Establishment of the Nomination & Remuneration Advisory Committee

To strengthen its governance by enhancing objectivity and transparency in the processes for nominating and determining remuneration for Directors, Executive Officers, and members of the Audit & Supervisory Board, UACJ established the Nomination & Remuneration Advisory Committee, an advisory body to the Board of Directors, in October 2017. When requested to do so, the committee deliberates matters concerning the nomination and remuneration of Director and Executive Officer candidates, and then provides its findings to the Board of Directors.

The committee consists of seven members, including an independent outside Director as chairman, three independent outside Directors, two inside Directors, and one independent outside member of the Audit & Supervisory Board.

Board of Directors Meetings

As of June 20, 2019, UACJ's Board of Directors consists of 12 Directors (including 4 outside Directors) and 6 Audit & Supervisory Board Members (including 4 outside members) . The board, which is chaired by the president, comes together for monthly meetings in which it deliberates important matters and hears reports on the status of business activities, as required by laws and ordinances, and UACJ's Articles of Incorporation and other internal rules.

Director terms have been set at one year in an effort to clarify responsibility.

Of the four outside directors, two are university professors, one a professor emeritus with a wealth of academic experience underpinning his objective perspective and the other also with an extensive academic background, as well as experience as a company director. The remaining two outside directors have broad managerial experience as company directors and play key roles in ensuring the propriety of decision-making by the Board of Directors.

Rationale for Selection of Outside Directors

Name	Independent Officer	Rational for Selection	Activities
Toshio Suzuki	○	Toshio Suzuki is a university professor emeritus. He was asked to join the Board of Directors based on the judgment that his objective perspective stemming from his wealth of academic experience would enable him to properly perform the duties of an outside member. Judging also that Professor Suzuki is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer. None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Professor Suzuki.	Attended all 16 of the BOD meetings held during the fiscal year, openly expressing his opinion from an objective viewpoint and confidently supporting his comments based on his rich academic experience as a professor emeritus. Also serves as chairman of the Nomination & Remuneration Advisory Committee.
Ryoko Sugiyama	○	Ryoko Sugiyama is a university professor. She was asked to join the Board of Directors based on the judgment that her wealth of academic experience, and management experience as a company director, would allow her to properly perform the duties of an outside member. Judging also that Professor Sugiyama is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated her an independent officer. None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Professor Sugiyama.	Attended 13 of 16 BOD meetings held during the fiscal year, drawing on her experience as a university professor and company director to freely contribute to Board discussions from her objective perspective. Also serves as a member of the Nomination & Remuneration Advisory Committee.

Name	Independent Officer	Rational for Selection	Activities
Takahiro Ikeda	○	<p>Takahiro Ikeda is a director of a major chemical manufacturer and has extensive experience in the management of that company and its group companies. He was asked to join the Board of Directors based on the judgment that he will be able to properly perform the duties of an outside member.</p> <p>Judging also that Mr. Ikeda is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer.</p> <p>While Mr. Ikeda has in the past worked for Mitsubishi Chemical Corporation (MCC), a UACJ customer, transactions with MCC make up less than 0.2% of the consolidated net sales of both companies, respectively, so MCC is not a specified related business entity from UACJ's perspective.</p>	<p>Attended all 12 BOD meetings held after his appointment to the Board of Directors, drawing on his experience as a company director to freely contribute to Board discussions from his objective perspective. Also serves as a member of the Nomination & Remuneration Advisory Committee.</p>
Akio Sakumiya	○	<p>Akio Sakumiya is a director and vice president of a major electrical device manufacturer and has extensive experience in the management of that company and its group companies. At the same time, he is a member and vice-chairman of various advisory bodies dealing with personnel and remuneration matters concerning directors and other personnel at these companies and has accumulated a wealth of experience in other aspects of corporate governance as well. He was asked to join the Board of Directors based on the judgment that he will be able to properly perform the duties of an outside member.</p> <p>Judging also that Mr. Sakumiya is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer.</p> <p>None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Mr. Sakumiya.</p>	<p>Attended 10 of the 12 BOD meetings held after his appointment to the Board of Directors, drawing on his experience as a company director to freely contribute to Board discussions from his objective perspective. Also serves as a member of the Nomination & Remuneration Advisory Committee.</p>

The Board of Directors and Executive Officers

At UACJ, the Board of Directors deliberates and renders decisions on important management matters, while the Executive Officers supervise and execute operations. By clearly separating these roles, we have enhanced management transparency and fairness, and created a governance system that clarifies responsibilities for individual business operations. In addition, to help ensure the proper control of operations, management meetings that are separate from the Board of Directors meetings are held regularly, on a monthly basis, with participation by 8 Directors, 2 full-time Audit & Supervisory Board Members, and 19 Executive Officers (as of June 20, 2019). The purpose of these meetings is to deliberate and consider important management matters, and develop common understanding among those responsible for executing business operations.

The delegation of duties to, and areas of responsibility for, individual Directors are determined in a Board of Directors meeting following the general meeting of shareholders. Management organization rules govern the Executive Officers' execution of their responsibilities in accordance with laws and ordinances, the Articles of Incorporation, and Board of Directors resolutions.

Regarding concurrent service by Directors and Executive Officers as officers of other companies, two outside Directors are concurrently serving as outside directors or in other capacities at other listed companies. No other Directors or Executive Officers are concurrently holding positions at other companies.

Evaluation of Board of Directors Effectiveness

At UACJ, we evaluate the effectiveness of the Board of Directors annually. In this evaluation, each Director and member of the Audit & Supervisory Board completes a questionnaire on matters such as the structure and operation of the Board of Directors, and the responses to these questionnaires are discussed by the Directors.

Main Evaluation Items

- Roles and duties of the BOD
- Decision-making by the BOD
- Oversight function of the BOD
- Structure of the BOD
- Operation of the BOD

Fiscal 2018 Evaluation Results

- UACJ's Board of Directors was found to be operating properly and to be structured in a way that allows it to perform its management oversight function.
- Discussions by the Board of Directors, in a process starting with preliminary review meetings and extending to meetings of the Board of Directors, were found to be characterized by free and open, constructive debates and exchanges of opinions.
- Sufficient time is being made available for deliberations.
- Governance has been strengthened through the addition of outside Directors, which has reinforced the diversity and overall balance of qualities represented on the board.

Issues and Measures Going Forward

- Steps will be taken to improve discussion and reporting methods to further enhance business strategy deliberations and strengthen the oversight function.
- Efforts to enhance governance-related reports and explanatory materials will continue.
- To help accelerate globalization and realize ongoing growth, efforts will be made to enhance discussions of important matters and improve the operation of the Board of Directors based on evaluation results.

| Enhancing the Skills of Directors and Audit & Supervisory Board Members

UACJ's policy is to conduct training for Directors and Audit & Supervisory Board members when they are first appointed and during their periods of service. The purpose of this training is to help ensure that the participants can properly perform their duties.

When they are first appointed, Directors and Audit & Supervisory Board members participate in training to help them understand their roles and duties. Training for outside officers also includes programs to deepen understanding of various aspects of the Company, including its business, finances, and organization. For officers who are no longer new to their positions, we offer training opportunities that are aimed at furthering understanding of governance, training related to issues the Group is facing, and training based on the knowledge, experience, and capabilities of individual Directors and Audit & Supervisory Board members.

In fiscal 2018, officer training covered topics in risk management, governance, and compliance. For officers newly appointed in fiscal 2018, training topics also included compliance with Japan's Companies Act and other laws and regulations.

| Support System for Directors and Audit & Supervisor Board Members

To promote the thoroughness of discussions in Board of Directors meetings, continuous support is provided to further individual officers' awareness and understanding. Lectures given by outside experts on the topic of governance are one example of this support.

In addition, separate and apart from Board of Directors meetings, outside Directors and outside Audit & Supervisory Board members are provided with opportunities to meet with the Representative Director. These meetings are held in an effort to actively incorporate the views of outside officers in business operations. Along these same lines, reference materials are provided to Board of Directors meeting participants ahead of time; briefings on particularly important topics are held in advance of meetings, as needed; and outside officers are permitted to participate in important meetings even when their presence is not required.

Remuneration of Directors and Audit & Supervisory Board Members

UACJ's officer remuneration system is designed to provide incentives for directors to respond to stakeholder expectations by contributing broadly to society through sound, wholesome business development and by helping the Company to continue generating as much profit as it can. The system is also intended to encourage Directors to help enhance the Company's corporate value and medium-to-long-term performance. To ensure the proper functioning of the system and enhance objectivity and transparency, decisions on details concerning the design of the remuneration system and its operation are made by the Board of Directors based on input from the Nomination & Remuneration Advisory Committee, which consists of at least three members (at least half of whom are independent outside Directors or independent outside Audit & Supervisory Board Members) selected via Board of Directors resolution.

Current remuneration for Directors and Audit & Supervisory Board member is based on a revised framework approved in the fifth regular general shareholders' meeting, held on June 21, 2018. Accordingly, total remuneration for all Directors must not exceed ¥650 million annually (Salaries of Directors who are employees are not included, and total remuneration for all outside Directors as a group is limited to basic remuneration not to exceed ¥80 million annually.) For Audit & Supervisory Board Members the upper limit on remuneration for the Audit & Supervisory Board Members as a group was set at ¥100 million annually.

The basic policy for officer remuneration, approved in the fifth regular general shareholders' meeting, held on June 21, 2018 is as described below.

a. Basic Concepts for Officer Remuneration

- The remuneration system will provide incentives to achieve performance objectives (short-term and medium-to-long-term) for the Company's business strategies.
- The remuneration system will offer remuneration levels that are sufficiently competitive for attracting outstanding human resources to lead the Company's growth and for encouraging their desire to contribute thereto.
- The remuneration system's decision-making process will be characterized by high levels of objectivity and transparency.
- The remuneration system will promote commonality of interests with shareholders and increases in shareholder value.

b. Remuneration Structure

- Remuneration for the Company's Directors consists of basic remuneration, which is fixed; short-term performance-based remuneration that varies with annual Company performance; and medium-to-long-term performance-based remuneration that varies with medium-to-long-term Company performance. Remuneration for outside Directors shall consist of only fixed remuneration in light of their principal duty to oversee decision-making from an objective, independent perspective.
- Basic remuneration for each officer position is set by referring to remuneration survey data provided by an outside institution specializing in the gathering of this kind of data. Remuneration levels are determined based on comparisons to companies that are in similar industries and are of similar size to the Company.
- For each eligible Director, short-term performance-based remuneration shall be approximately 25% (The standard amount assuming payment of 100% of the potential amount. Same applies below.) of basic remuneration.
- For each eligible Director, medium-to-long-term performance-based remuneration shall be approximately 25% (the standard amount) of basic remuneration.

c. Performance-based Remuneration

1) Short-term performance-based remuneration shall consist of three elements - one based on an assessment of overall Group performance, a second based on an assessment of department-level performance, and a third based on an assessment of individual performance. Amounts paid will vary depending on annual performance and payments will be made once a year.

- Remuneration based on an assessment of overall Group performance shall be calculated with reference to the Company's key management indicators and to consolidated net income, consolidated ROIC, and consolidated ordinary income before the impact of inventory valuations, which are emphasized in the mid-term management plan, as performance indicators. With a payment ratio of 100% for 100% achievement of objectives, payments may vary from 0% to 200% depending on performance.
- Remuneration based on an assessment of department-level performance shall use as performance indicators department-level ordinary income, department-level ROIC, and department-level ordinary income before the impact of inventory valuations, which correspond to whole-company performance indicators. With a payment ratio of 100% for 100% achievement of objectives, payments may vary from 0% to 200% depending on performance.
- Remuneration based on an assessment of individual performance shall be based mainly on a qualitative assessment of important initiatives not reflected in annual group or department-level performance. This portion of remuneration shall approximate 10% of overall short-term performance-based remuneration.

2) Medium-to-long-term performance-based remuneration shall be paid with performance share units (PSUs) using actual equity shares. Payments in equity shares and cash will be made in accordance with achievement of medium-to-long term Group performance objectives. Payments shall be made once every three years based on three-year performance assessments.

- Using as performance indicators consolidated ROIC and consolidated adjusted EBITDA, which are key management indicators and are emphasized in the mid-term management plan, the three-year average consolidated ROIC and cumulative consolidated adjusted EBITDA for each three-year period will serve as the basis for setting performance objectives at the beginning of each three-year assessment period. With a payment ratio of 100% for 100% achievement of objectives, payments may vary from 0% to 200% depending on performance.
- At the end of each assessment period, half of the calculated PSUs shall be paid in equity shares, with the remaining half paid in cash.

d. Procedure for Determining Remuneration

- Officer remuneration policies and details are deliberated by the Nomination & Remuneration Advisory Committee, which then provides information the Board of Directors uses to make final decisions.
Independent outside Directors and independent outside Audit & Supervisory Board Members make up over half of the membership of the Nomination & Remuneration Advisory Committee. To provide the committee members with information needed for their work, steps such as obtaining input from external experts are taken as necessary.
- Regarding short-term performance-based remuneration for Directors, the Nomination & Remuneration Advisory Committee at the beginning of the evaluation period confirms objectives related to whole-company performance and department-level performance, and, at the end of the evaluation period, assesses the degree to which objectives were achieved and determines appropriate amounts of remuneration. The advisory committee also assesses the appropriateness of remuneration based on individual performance evaluations. For medium-to-long-term performance-based Director remuneration, the Nomination & Remuneration Advisory Committee at the beginning of the evaluation period confirms objectives and, at the end of the evaluation period, assesses the degree to which objectives were achieved and determines appropriate amounts of remuneration.
- Given the determinations of the Nomination & Remuneration Advisory Committee, Director remuneration amounts are set by the president and approved with Board of Directors resolutions at levels within limits authorized in general shareholders' meetings.
- Audit & Supervisory Board Member remuneration amounts are set based on discussions by the Audit & Supervisory Board Members at levels within limits approved in general shareholders' meetings.

Audit Function

Audit & Supervisory Board

UACJ is organized as “a company with a board of Statutory Auditors” under Japanese law. Within UACJ, the “board of Statutory Auditors” is referred to as the “Audit & Supervisory Board” and, as an independent element of the Company’s corporate governance, monitors the Directors as they perform their duties.

As of June 20, 2019, the Audit & Supervisory Board consists of 6 Audit & Supervisory Board Members, including 4 outside members and three members with knowledge of financial and accounting matters. Audit policies and plans are prepared by the Audit & Supervisory Board annually based on the Code of Kansayaku Auditing Standards (“Kansayaku” is the Japanese term for “corporate auditor” and means Audit & Supervisory Board Member at the UACJ Group.) and the rules governing the Audit & Supervisory Board. Each Audit & Supervisory Board Member, in accordance with the audit policies and plans determined by the Audit & Supervisory Board, is engaged primarily in monitoring the implementation and operation of internal control systems, conditions with regard to risk prevention and responses to management issues, and other matters to determine whether the Directors are properly fulfilling their duties. Audit & Supervisory Board Members also attend Board of Directors and other important meetings, and express their opinions as necessary.

As a rule, the Audit & Supervisory Board comes together in monthly meetings. During these meetings, full-time members present audit reports to share information among all Audit & Supervisory Board Members, and full-time and outside members engage in thorough discussions of meeting topics.

Regarding concurrent service by Audit & Supervisory Board members as officers of other companies, one outside member is concurrently serving in the capacity of an outside director at another listed company. No other Audit & Supervisory Board members are concurrently holding positions at other companies.

Rationale for Selection of Outside Audit & Supervisory Board Members

Name	Independent Officer	Rationale for Selection	Activities
Akari Asano	○	<p>Akari Asano has been a senior executive in charge of general affairs and performed other management roles at a manufacturing firm and within that firm’s corporate group. He was asked to join the Audit & Supervisory Board based on the judgment that the knowledge and experience he has acquired throughout his career would enable him to properly perform the duties of an outside member.</p> <p>Judging also that Mr. Asano is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer.</p> <p>None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Mr. Asano.</p>	<p>Attended all 16 BOD meetings and 15 Board of Auditors meetings throughout the fiscal year, freely expressing opinions backed by his many years of experience as a company executive. Also serves as a member of the Nomination & Remuneration Advisory Committee.</p>

Name	Independent Officer	Rationale for Selection	Activities
Yuki Iriyama	-	Yuki Iriyama has served as a managing executive officer of a major steel manufacturer. He was asked to join the Audit & Supervisory Board based on the judgment that his wealth of management expertise and the sophisticated knowledge he has attained as an attorney familiar with corporate legal affairs would enable him to properly perform the duties of an outside member.	Attended all 12 BOD meetings and 11 Board of Auditors meetings held after his appointment to the Audit & Supervisory Board, freely expressing opinions backed by his wealth of experience and broad insight as an executive of another company and as an attorney.
Hiroyuki Yamasaki	○	Hiroyuki Yamasaki is a certified public accountant. He is an expert in corporate accounting and has deep experience with financial and accounting matters. He was asked to join the Audit & Supervisory Board based on the judgment that the high level of accounting expertise he has acquired through his career would enable him to properly perform the duties of an outside member. Judging also that Mr. Yamasaki is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer. None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Mr. Yamasaki.	Attended all 12 BOD meetings and 11 Board of Auditors meetings held after his appointment to the Audit & Supervisory Board, freely expressing opinions backed by his wealth of experience and broad insight as a Certified Public Accountant. Also serves as a member of the Nomination & Remuneration Advisory Committee.
Yoshiro Motoyama	○	Yoshiro Motoyama has served as a director and vice president of a major automobile manufacturer and has a wealth of experience in corporate management. He was asked to join the Audit & Supervisory Board based on the judgment that the broad management perspective he has acquired through his career would enable him to properly perform the duties of an outside member. Judging also that Mr. Motoyama is not in a position that would give rise to a conflict of interest with general shareholders, UACJ has designated him an independent officer. None of the descriptions provided in Rule 211.4.6 of the Enforcement Rules for Securities Listing Regulations of the Tokyo Stock Exchange apply to Mr. Motoyama.	Attended all 12 BOD meetings and 11 Board of Auditors meetings held after his appointment to the Audit & Supervisory Board, freely expressing opinions backed by his wealth of experience and broad insight as an executive of another company.

Enhancing the Effectiveness of the Audit System

To enhance the quality of audits, UACJ uses a three-pronged scheme to perform audit work. Under this scheme, the Audit & Supervisory Board Members, internal auditors, and independent auditors remain in close communication with one another as they perform audit work. For audits by Audit & Supervisory Board Members and audits by internal auditors, on-site audit plans are developed in accordance with respective annual policies and plans. Audit & Supervisory Board Members and internal auditors freely share these plans, the results obtained, and opinions with each other. They also freely share their audit results and opinions with the independent auditors, and follow up on audit findings.

To enhance the functions of the Audit & Supervisory Board, which operates independently, two people have been assigned to assist the Audit & Supervisory Board members in their work.

Internal Audit System

At the UACJ Group, internal audits are performed by the Internal Auditing Department, which reports directly to the president of UACJ Corporation. The department, with 12 full-time and three part-time internal auditors, prepares annual audit policies and plans based on the Internal Audit Rules. It then objectively examines and assesses the activities of the managers of UACJ and each UACJ Group company to determine whether they are being performed within the law, with rationality, and with propriety in accordance with UACJ's management objectives. Examination and assessment results are reported to the president of UACJ Corporation, together with recommendations and suggestions for improvements.

Internal Controls

The UACJ Group endeavors to strengthen its internal control system to help ensure that its business activities are in line with management objectives, within the law and rational. Furthermore, as regards the status of internal controls stipulated by the Financial Instruments and Exchange Act, the Internal Auditing Department conducts tests and assessments with the aim of ensuring the reliability of financial reporting.

Status of the Internal Control System

As described below, the UACJ Group's internal control systems (Systems for ensuring that the execution of duties by the Directors and employees of the Company and the Group complies with laws and ordinances, and the Articles of Incorporation, and for ensuring the propriety of the business activities of the corporation and of the corporate group consisting of the corporation and its subsidiaries) have been established in accordance with Japan's Companies Act and Ordinance for Enforcement of the Companies Act.

a. Systems for ensuring that the execution of duties by the Directors and employees of the Company and the Group complies with laws and ordinances, and the Articles of Incorporation

- The Company and the Group act in accordance with the management philosophy and company principles, and aim to be virtuous organizations that abide by laws and ordinances, and the Articles of Incorporation.
- The CSR Committee takes the lead in holding lectures, distributing manuals, and conducting other education activities. It also conducts compliance activities, such as reviews to check for legal and regulatory violations.
- An internal reporting system has been put in place to promote the early detection and correction of compliance violations.
- The Internal Auditing Department, as the internal audit unit, monitors the performance of duties in individual units, conducts audits to determine whether internal control systems are functioning effectively, and reports findings to the Board of Directors.

b. Systems for the preservation and management of information on the execution of duties by Directors

- Board of Directors meeting minutes, approval documentation, and other information on the execution of duties by Directors is prepared and retained in accordance with internal rules.
- Information is kept in a state that permits viewing by Directors and Audit & Supervisory Board Members whenever necessary.

c. Provisions and other systems addressing management of the risk of loss for the Company and the Group

- The Company and the Group, in accordance with internal rules, properly address environmental, safety and health, quality, information security, export management, and other Company or Group risks. Risks unique to particular units are managed by those units. The CSR Committee advances horizontal risk management.

d. Systems for ensuring efficient execution of duties by Directors of the Company and the Group

- Within the Company and the Group, duties are efficiently fulfilled based on the rule-based division of duties and responsibilities, and on other measures as well.
- Mid-term management plans and fiscal year budgets are prepared, and specific targets are established and their achievement is managed by individual units or groups.

e. Systems for ensuring the propriety of operations by the subject corporation and the corporate group consisting of it and its parent company and/or subsidiaries

- The UACJ Group has constructed and put in place an internal control system.
- The Internal Auditing Department conducts audits of operations. It then reports results to the Audit & Supervisory Board Members and Representative Director as a measure for promoting compliance throughout the Group. In addition, subsidiaries are obligated by their own internal rules to discuss important management matters with the Company. If necessary, rules concerning the management of subsidiaries will be revised to ensure the propriety of business activities carried out by the Group.

f. Matters concerning employees to be assigned to assist Audit & Supervisory Board Members at their request

- An employee has been assigned to assist the Audit & Supervisory Board Members. This employee supports the work of the Audit & Supervisory Board Members in accordance with their instructions.

g. Matters concerning the independence of the employee referred to in the previous item and the validity of instructions issued to the employee, from Directors

- The employee referred to above is an employee designated to be outside the direction and supervision of Directors, and personnel decisions concerning that employee require the prior agreement of the Audit & Supervisory Board.

h. Systems enabling Directors and employees of the Company and the Group to report concerns to Audit & Supervisory Board Members, and systems for other reports to Audit & Supervisory Board Members

- In connection with the execution of their duties, Directors, Executive Officers, and employees of the Company and the Group report to the Company's Audit & Supervisory Board Members without delay instances of significant violations of laws and ordinances, and the Articles of Incorporation; improprieties; and developments that could result in significant damage to the Company or Group.
- Directors, Executive Officers, and employees, based on the Board of Directors meeting rules and other internal rules, report or settle matters in Board of Directors meetings or other meetings at which Audit & Supervisory Board Members are in attendance.
- Subjecting Directors, Executive Officers, and employees of the Company and the Group, who have reported a matter, such as those described above, to the Company's Audit & Supervisory Board Members, to disadvantageous treatment on account of their having reported the matter is prohibited.

i. Other systems for ensuring that audits by Audit & Supervisory Board Members can be performed effectively

- The Board of Directors ensures Audit & Supervisory Board Member attendance at Board of Directors meetings, and management and other important meetings.
- The Audit & Supervisory Board Members and representative Director periodically hold meetings to exchange views.
- When the Audit & Supervisory Board Members make a request concerning the effectiveness of audits performed by the Audit & Supervisory Board Members, the Directors, Executive Officers, and heads of relevant units respond in good faith.
- Expenses covered by Article 388 of the Companies Act are handled in accordance with rules.

Strategic Shareholdings

UACJ maintains strategic shareholdings judged to be necessary for promoting continued business growth and smooth progress by, for example, maintaining or strengthening business ties, advancing business collaborations, or promoting stable procurement of raw materials.

Our policy is to hold the minimum number of shares necessary and to reduce our holdings going forward. Every year, the Board of Directors examines individual strategic shareholdings, examining quantitative factors such as economic rationality and qualitative factors such as the purpose of the holding. If, as a result of these examinations, it is determined that maintaining a shareholding is no longer sufficiently meaningful or rational, the shareholding will be gradually divested. Regarding the exercise of voting rights attached to strategic shareholdings, UACJ takes the position that it should exercise its rights as a shareholder and, in principle, exercises all voting rights on all resolutions put before shareholders. Voting rights are exercised on individual resolutions based on considerations of whether they are consistent with UACJ's purpose for maintaining the shareholding, would promote sound management at the issuing company, and would enhance the corporate value of both UACJ and the issuing company. In fiscal 2018, all or a portion of six shareholdings were divested. As of March 31, 2019, UACJ had strategic shareholdings in 46 companies.

Takeover Defense Strategy

Presently, UACJ has not adopted any takeover defense strategies.

/ Compliance

Viewing strict compliance as indispensable for business survival, we have made compliance education one of our highest priorities.

Group Code of Conduct

Based on the Group's management philosophy and company principles, the Group Code of Conduct was established in June 2014 to set forth standards that all Group executives and employees must abide by if the UACJ Group is to be able to move forward as a corporate group that garners even greater trust by society.

Efforts to prepare versions of the Group Code of Conduct in the official languages of the locales of overseas affiliates are moving forward. Including the original Japanese version, the Group Code of Conduct now exists in ten different languages.

The Group Code of Conduct is available online in the various languages in which it has been completed.

The Group Code of Conduct is available in the following languages:

Japanese, English, Chinese, Czech, Indonesian, Thai, Spanish, Vietnamese, Brazilian Portuguese, and Malay.

Compliance Education

As part of its compliance education endeavors, the UACJ Group has posted the Group Code of Conduct on the intranet and distributes abridged editions that all executives and rank-and-file employees can keep with them at all times. In fiscal 2018, department-level seminars on the Group Code of Conduct were held for employees of UACJ, 30 Group companies in Japan and 26 Group companies overseas. Afterward, the president of each company pledged to the President of UACJ in writing that they would uphold the Group Code of Conduct.

In fiscal 2018, training was conducted on topics such as information security, Japan's Personal Information Protection Law, and the EU's General Data Protection Regulation (GDPR).

Through regular, ongoing measures such as these, UACJ Group strives to ensure sound compliance awareness and understanding of legal provisions throughout its organization.

Internal Reporting System (Corporate Ethics Consultation System)

The UACJ Group operates an internal reporting system (Corporate Ethics Consultation Hotline) the purpose of which is to prevent compliance problems altogether, or discover them early on and swiftly resolve them. This system has internal and external channels that employees can access anonymously. Measures are in place to receive contacts by telephone, postal mail, e-mail, and other means as well. The Anonymous Reporting Board* is another reporting function that we have established to make it easier for employees to report activity they believe or suspect constitutes a compliance violation. The Corporate Ethics Consultation Hotline oversees and appropriately handles all reports of questionable activity from the selection of a unit to investigate the report, to implementation of a formal response. At the same time, it makes clear to relevant employees that the reporting employee and those who cooperate with the investigation are not to suffer any negative consequences from the mere reporting of suspicious activity or cooperation with the investigation. Furthermore, actions are taken to thoroughly protect the reporting and cooperating employees by, for example, confirming that they actually have not been subjected to negative consequences for their actions.

In fiscal 2019, steps will be taken to expand the scope of potential users and further facilitate internal reporting. These steps will result in a common reporting system accessible by executives and rank-and-file employees of Group companies inside and outside Japan as recommended in guidelines issued by Japan's Consumer Affairs Agency.

* The Anonymous Reporting Board is a system that allows an employee to engage in a dialog anonymously with hotline personnel. The receipt of a report anonymously can make it impossible to adequately investigate the report or provide investigation results and information on problem solutions back to the reporting employee. The UACJ Group has adopted the Anonymous Reporting Board to alleviate such problems.

| Hotline Reports Received and Status of Responses

In fiscal 2018, UACJ Corporation received seven reports via the Corporate Ethics Consultation Hotline, while affiliates in Japan received a total of 22. Ten of the reports concerned harassment and the remaining 12 pertained to other matters. Reports from employees willing to provide their names were properly handled, and investigation results and information on corrective measures were provided to the reporting employees.

Reports from employees wishing to remain anonymous were investigated to the extent possible. Those engaging in the improper activity identified were instructed on proper approaches and cautioned regarding their conduct going forward.

Reports received by affiliates were properly responded to by the relevant company, with investigative and other types of assistance from the Company, as needed.

Strict Compliance with the Antimonopoly Act and Protection of Free Competition

Provisions in the UACJ Group Code of Conduct call for fair, transparent, and free competition, and engagement in legitimate business transactions, by specifically prohibiting restraint of competition, abuse of advantageous circumstances, and other such activities. Thorough understanding of these matters is promoted when opportunities are available in training on the code of conduct, job-level training, and on other occasions as well. In addition, all executive officers undergo training on compliance with Japan's competition laws. In fiscal 2018, seminars were held on Japan's antimonopoly law and overseas competition laws as part of the training conducted for department heads and newly appointed managers. Outside of Japan, a seminar on competition law was held at the local affiliate in Thailand.

In fiscal 2018, we experienced no violations of either Japan's Antimonopoly Act or the antimonopoly laws of other countries.

Anti-Corruption Initiatives

To help ensure that it engages in fair, transparent, and appropriate business transactions, the UACJ Group has included in its Group Code of Conduct provisions specifically prohibiting acts such as bribery and excessive expenditures for entertainment, and thorough understanding of these points is promoted in code of conduct education programs and job-level training. In addition, all UACJ executive officers undergo training on the prevention of corruption.

In fiscal 2018, seminars on bribery prevention were held for department heads and newly appointed managers. A seminar on the same topic was also held at the local affiliate in Thailand.

There were no instances of the acceptance or offering of a bribe, or any other violations of the Group Code of Conduct, in fiscal 2018.

Implementation of Global Guidelines

In fiscal 2018, UACJ's headquarters formulated the Group's basic policies on compliance with competition laws and prevention of bribery. It then developed global guidelines to be applied by Group companies throughout the world and created guidelines tailored to the business practices and legal systems of individual countries.

Activities that promote compliance with competition law and prevent corruption should be undertaken at all levels, and it is important for all employees, regardless of their position, to understand this point. The global guidelines, therefore, have been prepared in English and seven other languages to provide employees of Group companies with a version in the local official language.

Prior Authorization of Entertainment and the Exchange of Gifts

In fiscal 2019, a system for the prior authorization of entertainment and the exchange of gifts will be implemented. To prepare for implementation, steps such as disseminating information on the system to all Group companies in Japan, were taken in fiscal 2018.

| Anti-Corruption Training at UATH

At UATH*, seminars on competition law and anti-corruption law were held for management-level employees. These seminars were held in the Thai language to help ensure that all participants gain a thorough understanding of these topics.

* UACJ (Thailand) Co., Ltd.

Rejection of Relationships with Antisocial Forces

In its company principles, the UACJ Group requires the strict rejection of relationships with antisocial forces and organizations. Furthermore, through our Group Code of Conduct, we strongly emphasize to all executives and employees that they are not to bend to inappropriate demands by antisocial forces, must remain resolute throughout, and must never engage in any relationship with antisocial forces.

UACJ, in accordance with its internal rules, makes donations and joins organizations only after determining that potential recipients, and organizations the company may join, have no connections to antisocial forces.

/ Risk Management

We are constructing a comprehensive system for preventing the realization of all types of risks.

Risk Management System

UACJ identifies business risks and takes measures to avoid or mitigate them.

| Enhancing risk management

When conducting risk management, UACJ has been carefully identifying business-related risks at the divisional level while taking measures for averting and mitigating those risks. In fiscal 2019, the Company established a new risk management working group in its Legal Affairs Department for the purpose of enhancing its risk management overall, including assessing risks uniformly across the Group and implementing a plan-do-check-act (PDCA) cycle.

Toward those ends, the working group conducted a group-wide risk assessment using a uniform set of indicators. Applying a combined top-down and bottom-up approach, the working group specified 138 risk factors that could potentially interfere with the achievement of business plans, and assessed each one from both operational and functional perspectives. Priority risks for the UACJ Group as a whole were determined based on the results of the assessment, and a PDCA cycle is being implemented on group-wide scale in order to reduce the possibility of those risks materializing.

BCP (Business Continuity Plan)

UACJ is working to develop a business continuity plan (BCP) that would allow it to continue to provide products and services, or enable the rapid restoration of these activities, in the event of a major earthquake, widespread emergence of infectious disease, or other emergency situation.

| Response System for Major Earthquakes and Other Disasters

In preparation for an earthquake, fire, or other such disaster, UACJ has built a response system that provides for the safety of employees, minimizes damage by preventing secondary disasters, and speeds recovery.

At a more specific level, we have implemented employee safety confirmation systems, established an emergency contact network, and are equipping business locations with emergency radio equipment. Employee safety confirmation systems have now been implemented in all Group companies in Japan, and emergency radio equipment has been introduced in 20 of 49 business locations in Japan, with installations completed for all of the main locations.

In fiscal 2018, we reviewed communications channels, reporting methods, and other aspects of our disaster response system and took steps to strengthen it where necessary.

To help ensure our ability to act swiftly and reliably in times of emergency, we regularly conduct training exercises at individual business locations. In October 2018, training focused on the establishment of a disaster response headquarters was conducted at the Company's headquarters.

Everyone, including the chairman, president, all other executives working at the headquarters, and all 300 or so rank-and-file employees participated in this exercise, in which we tested skills in setting up, operating, and breaking down a disaster-response headquarters; and fighting fires. Training for responding to a power outage was also conducted.

Disaster response initiatives tailored to circumstances at individual business locations are also being taken. The Nagoya Works provides a particularly good example. Lying in an area specifically addressed by the Large-Scale Earthquake Countermeasures Law, this facility has been steadfast in taking steps such as seismically reinforcing the works' main structure, securing evacuation routes, installing early warning devices, and setting aside disaster supplies. At the same time, it has prepared an earthquake preparedness manual, which serves as the basis for annual comprehensive preparedness training for a possible earthquake and tsunami.

Disaster-Response Training by Business Location

Business Location	Training Conducted
Headquarters	Firefighting, safety confirmation, evacuation, emergency life-saving, setting up a disaster-response headquarters, radio communications
Nagoya Works	Comprehensive training for responding to a major earthquake in the Nankai Trough (Setting up a disaster-response headquarters, evacuation, safety confirmation, radio communications, emergency life-saving, use of firefighting equipment, etc.) Safety confirmation, radio communications
Fukui Works	Comprehensive disaster-response training (Setting up a disaster-response headquarters, evacuation, safety confirmation, radio communications, firefighting, using stretchers to transport injured people, etc.) Safety confirmation, radio communications, AED training class.
Fukaya Works	Comprehensive disaster-response training (Setting up a disaster-response headquarters, evacuation, safety confirmation, firefighting, emergency life-saving, etc.) Safety confirmation, radio communications
Nikko Works	Comprehensive disaster-response training, firefighting at individual worksites, AED instruction, safety confirmation, radio communications

Strengthening Information Security

UACJ has designated the strengthening of information security as one of its top risk management priorities. In fiscal 2019, we have designated risk owners to lead information security strengthening efforts. The Information Systems Department has been placed in charge of information security and cyber security; the Engineering Department, in charge of technical information management; and the Legal Affairs Department's Risk Management Group, in charge of personal information protection. In addition, the Information Systems Department and Internal Auditing Department collaborate in checking the information security systems of each Group company once a year.

| Efforts to Prevent Information Leaks due to Human Error

To greatly reduce the possibility of an information leak from a PC that is taken outside of company premises, we have employees use PCs that are thin clients and have made it impossible to attach USB memory sticks to these devices. Furthermore, email file attachments are encrypted and the particularly sensitive information handled by the Research & Development Division cannot be electronically transmitted without the authorization of a supervisor.

| Personal Information Protection

The UACJ Group obtains, and uses, personal information from employees, executives, retirees, and their family members; and from customers, people who send us inquiries over the internet, and people who respond to our surveys at trade shows and other events. To protect this personal information, we have formulated the UACJ Group Basic Policies on Personal Information Protection and comply with Japan's Personal Information Protection Law and the personal information protection laws and regulations of other countries. In fiscal 2018, we revised our privacy policies and rules on handling personal information to ensure compliance with the EU's General Data Protection Regulation (GDPR), which took effect in 2018.

In fiscal 2019, we will take steps to confirm compliance with both Japanese laws and the GDPR, and consider matters related to personal information protection laws in Thailand and other countries.