

Corporate Governance



Truly Concentrating on Manufacturing with the Aims of Increasing Corporate Value and Improving Management Systems

Basic Concept

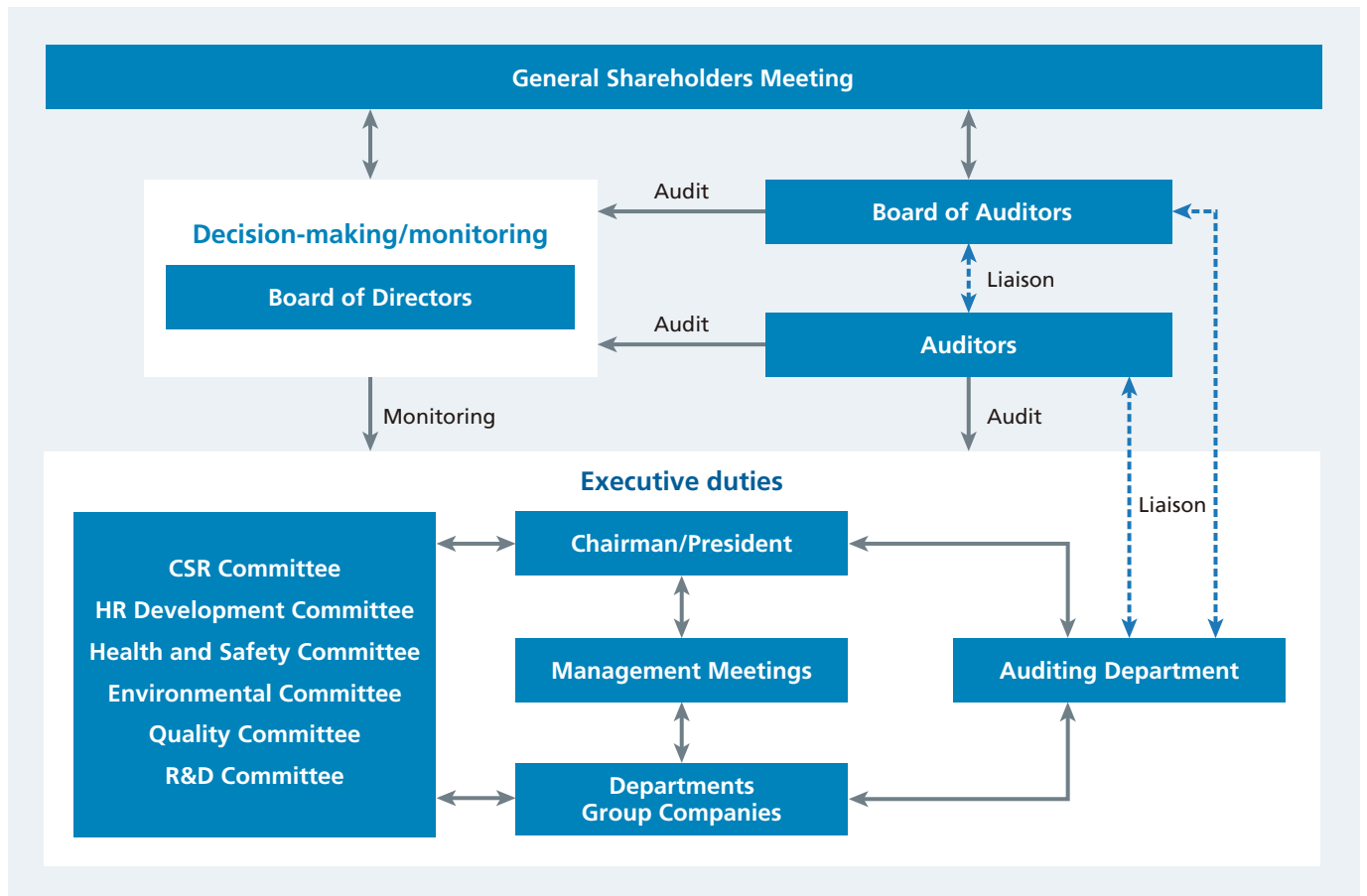
The UACJ Group believes that corporate governance is the basic framework of corporate management that maintains relationships with its various stakeholders (concerned parties), such as shareholders, customers, suppliers, employees and local communities.

Specifically, we believe it is our social responsibility as a company to continuously create products, technologies and services that are useful for society; doing so while

winning the trust of our customers and end-users, and contributing to our stakeholders by giving back through the fruition of healthy corporate activities.

To achieve this, we will press forward with initiatives, including strengthening the functions of the Board of Directors and the Board of Auditors, the establishment of a management supervision system, proper disclosure of management and financial information, the establishment of corporate ethics, and thorough compliance and risk management.

Corporate Governance System



Governance Organization

Governance System

UACJ has introduced an “Executive Officer” system that divides functions between “management decision-making and supervision” and “business execution” to ensure the Board of Directors (BOD) functions with maximum efficiency and conducts business quickly.

BOD meetings are held monthly, at which time 11 directors and four auditors, including two outside directors and three outside auditors, respectively, attend. The meeting agenda includes deliberating important management issues and reporting business operations in compliance with the laws and regulations of the Articles of Incorporation and other internal rules.

In addition to this, a monthly management meeting attended by nine directors, a full-time auditor and 17 executive officers is also held, where members deliberate and review important issues and try to ensure further communication among executives in order to better control business operations.

UACJ also utilizes a “Board of Auditors” system. One of the four auditors has expertise in finance and accounting. The board of auditors meets monthly to share information through periodic audit reports prepared by the full-time auditor and to ensure opportunities for

Effectively Evaluating the Board of Directors

To evaluate the effectiveness of the BOD, each year UACJ distributes a questionnaire regarding various issues including the composition and operations of the BOD to directors and auditors, and discusses the responses at BOD meetings.

The fiscal 2016 evaluation confirmed that the UACJ BOD is of an appropriate size, is comprised of diverse members with balanced credentials as a whole, operates properly, and has a system in place to exercise supervisory functions over the management. Moreover, it was also evaluated that, for BOD meeting discussions, a culture has developed in which both members of preliminary review meetings and those attending BOD meetings respect open and constructive discussions and freely exchange opinions.

Additionally, we identified our fiscal 2016 tasks as “spending sufficient time to examine and discuss actively important issues” and “improving preparatory meeting explanations and briefing materials for outside officers.” The evaluation also confirmed that improvements have been made regarding these points. The need to continue to improving these two points has been acknowledged as a future task.

On the basis of these evaluations, initiatives were set for enhancing discussions on important issues and striving to better operate the BOD in order to accelerate globalization and achieve sustainable growth.

in-depth exchanges with outside auditors.

Auditors attend important internal meetings such as BOD meetings, pursuant to auditors’ auditing standards, audit policies and audit plans. In this way, we ensure that the Board of Auditors has a system capable of auditing the directors’ execution of duties as an independent organ playing a role in corporate governance.

Remuneration for Officers

Regarding the remuneration paid to UACJ directors and auditors, the contents of the resolution made during the June 2006 general stockholders’ meeting of the former Furukawa-Sky Aluminum Corporation have been maintained. Specifically, the annual remuneration cap for directors is ¥450 million excluding normal employee salaries, and that for auditors is ¥75 million. The amounts paid to directors are limited to that which is approved at shareholders’ meetings and confirmed in a BOD meeting. Determination of the amounts paid to directors is calculated considering various factors, such as working full-time or part-time and position in the company. A portion of the remuneration paid is performance based.

The amounts of paid to auditors are also within the limit approved at the shareholders’ meeting, and further determined through consultation with the auditors.

The UACJ Group does not offer stock options as a means of providing remuneration to officers.

Remuneration for directors and auditors in fiscal 2016

Classification	Number of officers	Remuneration
Directors (Outside Directors)	12 (2)	¥363 million (¥14 million)
Auditors (Outside Auditors)	6 (4)	¥54 million (¥11 million)
Total (Outside Officers)	18 (6)	¥417 million (¥25 million)

Training Officers

To promote adequate performance of duties, it is the policy of UACJ to provide various training programs for directors and auditors upon assuming their positions and during their terms of service.

New officer training includes a briefing for all directors and auditors, in which their roles and responsibilities are clarified. For outside officers, attendance in various committee meetings and debriefing sessions, and visits to production sites including those overseas, are organized to familiarize themselves with the Group, such as businesses, finances and organizational structure.

Ongoing training while assigned to their positions includes training to deepen their understanding of governance and discuss various issues facing the Group. Additional training sessions are also provided depending on the knowledge, experience and capacity of each individual.

Appointing Officers

The appointment of senior management, including directors, at UACJ is based on making appropriate decisions on personnel evaluations and taking into consideration a candidate’s career and abilities, including job experience, positions and qualifications. The most suitable executive appointments are then decided.

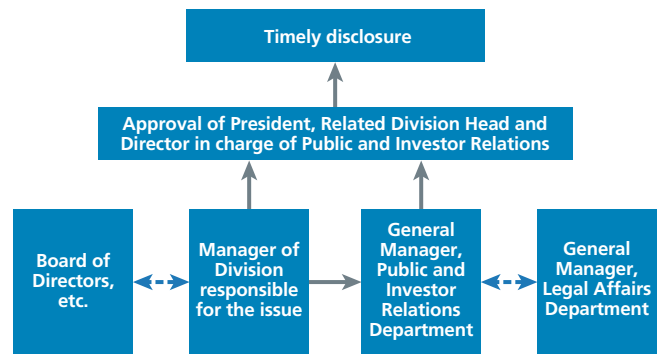
Based on the criteria stipulated in the Companies Act and by the Tokyo Stock Exchange, we select individuals expected to contribute to frank, lively and constructive discussions at BOD meetings as independent outside directors. One of the two independent outside directors is female.

We will continue to focus on progression of the system, taking into consideration the balance, diversity and size of the BOD as a whole in terms of expertise, experience and abilities.

Information Disclosure

To ensure timely and appropriate information disclosure to investors, UACJ introduced a system in which the director in charge of the Public and Investor Relations Division is responsible for disclosure, and the general manager of the Public and Investor Relations Department is in charge of administrative affairs.

Timely Disclosure System



Reason for Appointing Outside Directors/Auditors and Their Activities

Classification	Full name	Reason for appointment	Activities
Outside director, member of the board	Toshio Suzuki	As a Professor Emeritus of The University of Tokyo, Toshio Suzuki has a rich academic background and an objective viewpoint. We were confident that these features would enable him to perform duties assigned, and requested him to assume the position as one of the outside directors of UACJ. Appointed as an independent outside director based on the evaluation that he is not in a position that could cause a conflict of interest with general shareholders.	Attended all 15 of the BOD meetings held during fiscal 2016, openly expressing his opinion from an objective viewpoint and confidently supporting his comments based on his rich academic experience as a Professor Emeritus.
	Ryoko Sugiyama	Having tenured experience as an academic at a university and an impressive background in business management including being a director at various companies, we were confident that Ryoko Sugiyama would perform duties assigned to her and accordingly requested her to accept the position of outside director at UACJ. Appointed as an independent outside director based on the evaluation that she is not in a position that could cause a conflict of interest with general shareholders.	Attended 14 of the 15 BOD meetings held in fiscal 2016. Openly expressed her opinions from an objective point of view, clearly showing her poise and experience as a university professor and company director.
Outside auditor & board supervisory role	Akari Asano	Given his long experience and extensive knowledge gained through management positions such as the general manager of an administrative department and corporate executive, we were certain that Akari Asano was an excellent choice for performing the duties of an outside auditor and requested him to work with UACJ. Appointed as an independent outside director based on the evaluation that she is not in a position that could cause a conflict of interest with general shareholders.	Attended all 15 BOD meetings and 13 Board of Auditors meetings throughout fiscal 2016. Openly commented and expressed his opinions backed by his years of experience accumulated as a company executive.
	Tetsuya Sato	Possessing a broad knowledge of the corporate world and many years of experience, including holding the position of auditor at Furukawa Electric Co., Ltd., we felt Tetsuya Sato was an ideal choice for the position of outside auditor and requested him to work with UACJ.	Attended 13 of 15 BOD meetings 11 of 13 Board of Auditors meetings held during the fiscal 2016. Openly commented and expressed his opinions based on his wealth of knowledge and broad perspective as a company officer.
	Atsuki Matsumura	In addition to having experience in corporate management as the president and representative director of Siltronic Japan Corporation, Atsuki Matsumura also engaged in management at Nippon Steel & Sumitomo Metal Corporation and its Group as an operating officer. With his wealth of knowledge and broad business perspective, we were confident he would perform his duties accordingly and asked him to take a position as an outside auditor.	Attended all 15 BOD meetings and 13 Board of Auditors meetings held during fiscal 2016. Openly expressed his opinions backed abundant experience and good insight as a corporate officer.

Specifically, based on various regulations set forth by the Financial Instrument Exchange, any information that is likely to be classified as an issue requiring disclosure is immediately reported by the manager of the division responsible for the issue to the general manager of the Public and Investor Relations Department. The general manager of the Public and Investor Relations Department then consults with the general manager of the Legal Affairs Department, as needed, and decides whether or not to disclose the information. If the decision is made to disclose information, the general manager must first obtain approval from the head of the division concerned and the president of UACJ.

Constructive Dialogue with Shareholders

In addition to appointing a director in charge of the Public and Investor Relations, UACJ has assigned the Public and Investor Relations Department as the department responsible for investor relations.

Results briefings and teleconferences are held for shareholders and investors on a quarterly basis, with one-on-one meetings and small meetings with the President arranged when required. In addition, of these we host factory tours twice a year for shareholders in order for them to deepen their understanding of our businesses.

We also have a basic policy to visit investors in the U.S.A., Europe and Asia once a year.

We try to improve information disclosure even further through initiatives such as information dissemination through our website and issuing consolidated reports. The UACJ website has received high evaluation from external institutions, and came in eighth in the overall standings of the "Fiscal 2016 Adequacy Ranking of All Listed Company Homepages."



Factory tour

CSR Management

In order to strengthen CSR management, UACJ established a CSR Committee for the purpose of creating a CSR promotion system to control group-wide, cross-sectional implementation of activities. This committee is chaired by the president and includes full-time directors, general managers from the headquarters and factories, and the presidents of related sales companies. To improve CSR management, the CSR Committee meets once a year to discuss and report on general policies and measures related to CSR, including compliance, risk management, and the training and enlightenment of executives and senior staff. Each committee member then disseminates the policies and measures discussed by the committee throughout the Group companies to further develop initiatives.

Compliance

In order to ensure the legitimacy and fairness of individual group companies' operations and duties, the UACJ Group CSR Committee is the center for initiatives such as conducting workshops and education through the distribution of manuals and pressing forward with compliance activities, including checking for any breach of laws and regulations. We also try to catch any non-compliance at an early stage and correct the situation by utilizing a whistleblower system.

Furthermore, operational audits led by the Internal Auditing Department are carried out for each business group. The results are reported to auditors and the President to ensure thorough compliance is maintained throughout the Group.

Risk Management

In the UACJ Group, risks in common throughout the Group regarding the environment, health and safety, product quality, information security and export control are addressed appropriately according to risk management regulations. Extracted risks are listed and reassessed in terms of their materiality and frequency of occurrence. Particularly, materials risks are featured in specific fiscal year tasks as "Serious Risks" and we strive to mitigate them. The progress of such efforts is confirmed at CSR Committee meetings.

Meanwhile, risks specific to individual business groups are managed by each business group and cross-departmental risk management is driven by the CSR Committee.